



# Montgomery County Government

## A STUDY OF CONTRACT ADMINISTRATION WITHIN MONTGOMERY COUNTY

- AUTHORITY:** Council Resolution No. 11-174, adopted March 31, 1987, amended OLO's CY 87 Work Program to authorize the Director of the Office of Legislative Oversight (OLO) to conduct, with the assistance of an outside consultant, a study of contract administration.
- METHODOLOGY:** The Office of Legislative Oversight developed the Request for Proposals, evaluated the proposals, and negotiated with the highest rated responsive and responsible offeror. A contract was awarded to Peat Marwick Main & Co. on October 16, 1987. OLO staff has administered this contract to ensure Peat Marwick's satisfactory performance and adherence to the project schedule.

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# Peat Marwick

Certified Public Accountants

**Peat Marwick Main & Co.**

2001 M. Street, N.W.  
Washington, DC 20036

May 17, 1988

Mr. Andrew Mansinne, Jr.  
Director, County Council  
Office of Legislative Oversight  
Council Office Building, Room 501  
100 Maryland Avenue  
Rockville, Maryland 20850

Dear Mr. Mansinne:

Final Report for a Study of Contract Administration  
Contract No. 76207AA

Peat Marwick is pleased to submit this final report for the Study of Contract Administration in Montgomery County. The study's findings are based on a review of 50 contracts from 18 County departments, information collected from a written survey completed by County staff with contract administration duties, and a structured series of interviews with County officials and contract administrators for the 50 contracts reviewed.

The report presents a profile of contract administration in the County, findings and recommendations for major study issues, and an implementation plan for recommended actions. For each major recommended action the responsible department/division/office is identified, along with the priority of the recommended action, the time frame for implementation, and resources required to accomplish the action.

We would like to thank the many individuals within Montgomery County who contributed their time and effort to the fact-finding portions of this study. We appreciate the opportunity to have assisted the Office of Legislative Oversight in the performance of this study of contract administration within Montgomery County.

Very truly yours,

*Peat Marwick Main & Co.*

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MECHANICS

FINAL REPORT

A STUDY OF CONTRACT ADMINISTRATION  
WITHIN MONTGOMERY COUNTY

*Prepared for*

Montgomery County  
Office of Legislative Oversight

*Prepared by*

Peat Marwick Main & Co.

May 17, 1988



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## EXECUTIVE SUMMARY

Montgomery County is widely recognized as an innovative user of contracts to provide both goods and services. This practice received significant impetus during the past ten years, when a wide variety of County services and functions were first contracted out to private service providers. This growth in outside contracting resulted from the former Administration's commitment to limit County employment to 1978 levels. As the demands for public services changed and expanded, County agencies increasingly turned to private contractors to meet these needs while keeping County staff levels within prescribed limits.

Over the past five years, Montgomery County has significantly increased its contracting activity. In fiscal year 1982, the County acted on 688 contract awards, modifications, and renewals, amounting to over \$25 million. Since then, contracting activity has more than quadrupled, with the County acting on 3,191 contract awards, modifications, and renewals, amounting to over \$137 million in fiscal year 1987.

The growing volume of contracting activity has placed a significant administrative burden on both the Division of Purchasing and Materiel Management (DPMM) and individual operating departments responsible for ensuring contractor performance. To guide Montgomery County's contracting program, the County issued its Procurement Regulations in October 1985. These regulations defined the policies and responsibilities for purchasing and contracting goods and services used by the County. Specific pre-award and post-award contract administration responsibilities were delegated to the operating departments. However, draft administrative procedures on contract administration were developed in March 1987 but never adopted or issued by the County.

### STUDY PURPOSE AND SCOPE

The scale and importance of Montgomery County's contracting program requires that it have an effective and efficient contract administration program in place. The County requires timely and thorough administration of contracts to ensure that contractor services and goods meet or exceed contract specifications in a timely manner.

The purpose of this study is to assess the County's contract administration functions and to develop recommendations to improve their efficiency and effectiveness. It should be noted that while several of the study issues indirectly address procurement activities, the focus of this study was not on contract procurement.

This study provides a management review of the organization, staffing, management practices, regulations, and operating procedures associated with contract administration functions within Montgomery County. The scope of this review included:

- o assessing contract administration activities from contract execution through final payment

- o assessing procurement activities that affect contract administration functions
- o conducting a detailed review of 50 County contracts representing a broad range of departments, contract types, contract dollar amounts, and completed and ongoing contracts from fiscal years 1987 and 1988

CONTRACT ADMINISTRATION PROFILE

This section illustrates both the increasing trend in contracting for goods and services and the current level of contracting activity in Montgomery County. Furthermore, this section describes the responsibilities of contract administrators and presents the organization of personnel who have contract administration responsibilities.

Contracting Activity by Montgomery County

Contracting activity in the County was reviewed based on information from the County's Procurement Weekly Activity Reporting (WAR) data base. Contracting activity has grown significantly over the past five years. Since fiscal year 1982, the number of contracts and their current dollar value has more than quadrupled. The most dramatic increase in contracting activity occurred in fiscal year 1986, when activity (number of contracts) and current dollar value increased by 137 percent and 79 percent, respectively. During 1987, this high level of activity continued with the County acting on 3,191 contract awards, modifications, and renewals, amounting to over \$137 million.

In fiscal year 1987, 8 of the County's 37 departments and agencies involved in contracting for goods and services accounted for approximately two-thirds of all contract activity (number of contracts/purchase orders, modifications, and renewals). These include:

- o Transportation (794)
- o Facilities and Services (544)
- o Family Resources (251)
- o Health (215)\*
- o Recreation (200)
- o Library (179)

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\* Approximately two-thirds of these contracts were transferred to the Department of Addiction, Victim, and Mental Health when it was created in fiscal year 1987.

- o Police (112)
- o Housing and Community Development (87)

The contract value awarded by the following 4 departments represented over 80 percent of the total dollar value of contracts awarded:

- o Transportation (\$71.5 million)
- o Facilities and Services (\$20.8 million)
- o Environmental Protection (\$14.5 million)
- o Family Resources (\$5.5 million)

The Department of Transportation accounted for over half of the County's expenditures on new contracts/purchase orders, modifications, and renewals in fiscal year 1987.

Organization and Staffing of Contract Administration Responsibilities

The Montgomery County Charter, Section 313, and the Montgomery County Code, Chapter 11B, provide for a centralized system of purchasing and contracting for goods and services used by the County. The Chief Administrative Officer (CAO) is responsible for administering this system and delegating associated responsibilities, subject to direction from the County Executive. Through the County's Procurement Regulations, the Chief of Purchasing and Materiel Management (CPMM) is delegated procurement authority and responsibility from the Chief Administrative Officer. Individual departments are in turn assigned procurement-related and contract administration responsibilities by the County's Procurement Regulations. The departments have taken several approaches to organizing contract administration responsibilities, including:

- o Full-time contract administrator - an individual who is responsible for managing all contract administration activities for a department or division (four departments).
- o Part-time contract administrator - an individual who is assigned contract administration responsibilities as one of several other departmental administrative responsibilities (17 departments).
- o Combined contract administrator and contract monitor - individuals who are program or project managers and administer specific program-related contracts (20 departments). Under this approach, these individuals are also responsible for monitoring contracts from a technical standpoint.

Other County organizations with contract administration responsibilities include the Office of the County Attorney which reviews all contract actions for legality and conformance with the County Procurement Regulations and handles contract claims, negotiations, and litigations; and the Contract Review Committee (CRC) which provides administrative review and approval for pre-award and post-award procurement activities.

## SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

This section presents a summary of major findings and recommendations resulting from the study. These are presented for the following major study issues:

- o adequacy of laws, regulations, procedures, and guidelines pertaining to contract administration
- o adequacy of County contract provisions
- o adequacy of contract file documentation and organization
- o adequacy and effectiveness of contract administration forms and data bases
- o qualifications of contract administration staff
- o efficiency of processing contract documentation and contractor invoices/payments
- o communications among contract administration personnel
- o adequacy of monitoring compliance and enforcement of contract terms regarding the involvement of minority/female/disabled (MFD) contractors
- o adequacy of organization of contract administration functions

In the full text of the report, detailed findings and recommendations are presented under each of these areas. In this Executive Summary, the most important findings and recommendations are described.

While this study focuses on the opportunities to improve the administration of contracts within the County, it is important to note that there are a number of positive aspects regarding current contract administration activities. For example, procurement staff and contract administrators expressed a strong desire to obtain the most qualified contractors and the most cost-effective contract services for the County. In addition, these staff expressed a positive attitude and desire to improve their ability to effectively and efficiently administer County contracts, often through the development of their own procedures and forms. Other positive elements of the current program are included in the body of the full report.

### Adequacy of Laws, Regulations, Procedures, and Guidelines Pertaining to Contract Administration

#### Findings

- o The County's laws and Procurement Regulations provide the framework for defining procurement and contracting authority, responsibilities, and terms, with primary emphasis on the actions leading to contract initiation. However, several sections of the County's Procurement Regulations have not yet

been developed. Several contract administrators noted that absence of regulations pertaining to the areas of Contract Termination, Construction Contracts, and Grants left them without adequate guidance to carry out their contract administration responsibilities.

In addition, until recently there has been no requirement that contractors proceed with the provision of contracted services during a contract claim or dispute. In February 1988, the Office of the County Attorney issued a draft set of Proposed General Conditions which defines described terms for County contracts. These draft conditions include a "due diligence" provision. The Office of the County Attorney has indicated a preference for including the "due diligence" provision in the Proposed General Conditions, instead of the Procurement Regulations, to provide the County with greater flexibility to negotiate the inclusion of such a provision in County contracts.

- o The County lacks a formal set of procedures to guide daily contract administration activities. The lack of procedures to guide activities such as contract monitoring and reporting, processing contract documentation (modifications and extensions), and recordkeeping reduces the ability of County staff to carry out contract administration functions in a consistent and adequate manner. Without established procedures, County staff, who have generally had little training in contract administration functions, must develop their own procedures which may or may not be appropriate or efficient.

#### Recommendations

- o The County should complete the missing sections of the Procurement Regulations, focusing initially on the sections addressing construction contracts, grants, and terminations. This will provide needed guidance to contract administrators who are currently attempting to handle these issues.
- o The County should require a "due diligence" provision in either the Procurement Regulations or the Proposed General Conditions. If the County chooses the latter approach, proper oversight is required to ensure that contracts include the "due diligence" provision in the General Conditions (Section 6), unless specifically deleted by the County. This can be accomplished by requiring CPMM approval of any exemption to the "due diligence" provision.
- o The County should develop a formal set of contract administration procedures. The procedures should specify minimum Countywide requirements for:
  - contract recordkeeping
  - contract monitoring
  - processing contract modifications, extensions, and invoices

- contract reporting/interoffice communications
- MFD compliance reporting

These should be augmented by other procedures specific to departments, offices, and programs.

- o Procedures, regulations, interpretive bulletins, standardized reports, and forms should be compiled by DPMM into a contract administration manual for use by all contract administrators.

#### Adequacy of Contract Provisions

##### Findings

- o In general, Montgomery County contracts provide a reasonable basis for assessing contractor timeliness and budget performance. The time frame for the contract (start date, completion date), budget, and basis of payment, are clearly defined.
- o Several contracts reviewed did not contain specific task or deliverable schedules (5 of 28 contracts). Several others contained scopes of services that were vague and did not clearly specify contractor activities. Forty-three percent of the contracts reviewed that had a requirement for progress reports were missing such reports.

##### Recommendation

- o Increased emphasis should be placed on including status reporting requirements in contracts and ensuring that contractors comply with these requirements. Periodic status reports should describe: tasks accomplished under the contract, deliverables produced and provided, adherence to schedules and budget, problems/issues relating to the performance of the contract, and actions to be accomplished.

#### Adequacy of Contract File Documentation and Organization

##### Findings

- o There are no procedures or guidelines that describe what contract files should contain or how they should be organized. As a result, contract file organization and adequacy varied substantially in the County. Generally, departments with substantial contracting and centralized department contract administrators had better organized and more complete files.
- o A majority of files reviewed contained key contract documentation such as the executed contract (89 percent of files) and encumbrance/purchase order forms (98 percent of files). However, many of these same files were lacking important documents such as contract monitoring documentation and correspondence.

### Recommendations

- o The County should develop minimum standard contract file formats, contents, and recordkeeping procedures for professional services and other-than-professional services contracts.
- o DPMM should annually review a sample of contract files to assess adequacy of documentation and file organization. This will help ensure that contract administrators are carrying out their recordkeeping responsibilities and identify areas where recordkeeping practices can be improved.

### Adequacy and Effectiveness of Contract Administration Forms and Data Bases

#### Findings

- o A centralized contractor performance file is required under the County's Procurement Regulations. DPMM has developed a Contract Monitoring Report (CMR) for use by contract administrators in developing this file. CMRs are submitted to DPMM and kept in a central file.
- o The CMR is not being used effectively to document contractor performance. Most contract administrators consider the CMR as unnecessary, uninformative, and inappropriate. Only 20 percent of the files reviewed contain CMRs. The section of the CMR addressing contractor performance provides for only an "acceptable" or "unacceptable" rating. Contract administrators are hesitant to rate contractors as unacceptable, and as a result, nearly always rate contractors as acceptable.
- o The CMR's data base file is rarely used during procurement activities. Generally, contract administrators are not aware that such a file exists, or do not believe that data collected on the report are very useful.
- o The Professional Services Procurement Processing and Reporting form developed by DPMM for reporting professional services contract initiation, modification, and renewal by type of contractor is somewhat redundant to the CMR and is often missing from contract files.

#### Recommendations

- o DPMM should consolidate its contract reporting requirements into a single, multi-purpose form. This can be accomplished by revising the CMR to include needed information for both procurement tracking and contractor monitoring. DPMM should also revise the contractor performance documentation portion of the CMR by incorporating a scaled evaluation (i.e., 1-10; 1 = low, 10 = high) on performance criteria, such as timeliness, quality of work/deliverables, and budget compliance.

- o To encourage the use of the CMR, the County should establish a contract dollar threshold under which CMRs are not required. It is recommended that this amount be \$3,000. Contracts under this amount represent only a small percentage of the County's total contract expenditures.
- o DPMM should compile a list of department-specific contract reporting forms, reports, and data bases, and distribute useful examples to departments.

#### Qualifications of Contract Administration Staff

##### Findings

- o Contract administrators are generally well versed in the technical/program areas served by the contract. Also, most contract administrators had some prior experience with the procurement and contract administration process.
- o There are no class specifications for contract administrators in the County. Some contract administration duties are included in the defined responsibilities of several class specifications (Administrative Specialist series, Program Assistant series, and Program Manager). However, they are not sufficient to clearly define the full responsibilities of contract administrators, nor the requirements for experience, education, or training.
- o The County has no training program in place for contract administrators. Contract administrators have received minimal or no contract administration training from the County in the past. Contract administrators have generally been assigned on the basis of their technical/program knowledge, and often had little prior knowledge of contract administration. With little or no training, they have had to learn contract administration duties while on the job.

##### Recommendations

- o The County should establish separate class specifications for contract administrators. Development of these specifications would show recognition of this important role and clarify its duties and prerequisites.
- o The County should follow through on its efforts to develop and implement an ongoing comprehensive training program for contract administrators. Training should be mandatory and cover areas such as processing contract documentation, monitoring contractor performance, maintaining contract records and files, and handling contract disputes, appeals, and terminations.

## Efficiency of Processing Contract Documentation and Contractor Invoices/Payments

### Findings

- o Contract administrators are often late in submitting contract renewals to DPMM. In several instances, field orders were not properly documented or were issued to circumvent the processing time typically required for modifying a contract. These problems resulted from contract administrators either being unfamiliar with submission requirements of DPMM or being involved with other responsibilities.
- o Contract invoices are generally approved for payment by the departments in a reasonable amount of time. Among the files reviewed, contractor invoices were typically reviewed and approved for payment by the departments within 14 days of receipt.

### Recommendations

- o Contract administrators should promptly document field orders and limit their use to justifiable situations. DPMM should track the use of field orders to ensure that the contract modification process is not being circumvented.

## Communications Among Contract Administration Personnel

### Findings

- o Communications between DPMM, the County Attorney's Office, and departmental contract administrators were found to be intermittent due to overcommitment of DPMM and County Attorney's Office staff and a lack of appreciation among contract administrators of the importance of submitting contract monitoring reports.
- o Contract administrators are hesitant to contact DPMM and the County Attorney's Office for assistance. They believe that staff from DPMM and the County Attorney's Office are overextended and, as a result, will not be responsive.

### Recommendations

- o DPMM should organize periodic meetings of departmental contract administrators to facilitate discussion of contract administration regulations and procedures, sharing of experiences and insights, and voicing of concerns and problems.
- o To enhance DPMM's ability to provide support to contract administrators, we recommend the establishment of a fully-staffed contract administration support section within DPMM. This recommendation is described in more detail in the section of the full report addressing the organization of contract administration responsibilities.

- o DPMM should develop a periodic newsletter for contract administrators. This could be used to highlight changes/refinements to procurement processes and contract administration procedures.

### Monitoring MFD Compliance and Enforcement

#### Findings

- o The County has not specified how contract administrators should monitor and document MFD participation in contracts. As a result, few contract administrators formally monitor and document MFD involvement in outside contracts.
- o No Countywide report is generated that documents actual contract dollars paid to MFD contractors. Little information on MFD involvement is provided to the County's MFD Coordinator in DPMM after contract award.

#### Recommendation

- o DPMM should develop and issue standard procedures specifying contract administrator responsibilities for tracking and documenting the level of MFD participation in contracts, renewals, and modifications. As part of these procedures, prime contractors should be required to report on the level of involvement of their MFD subcontractors in their invoices and progress reports.
- o Contract administrators should submit periodic reports to the County's MFD Coordinator on MFD participation in contracts.

### Organization of Contract Administration Functions

#### Findings

- o In departments where contract administration is centralized under one or more full-time contract administrators, either at the division or department level, there is a more orderly, consistent, and thorough approach taken to contract administration. Dispersed contract administration often results in less adequate performance of contract administration functions.
- o DPMM has no support section established for contract administration. As a result, there is a lack of focus on providing contract administration guidance in terms of procedures, useful standardized forms/reporting formats, filing procedures, or changes in the procurement process or regulations.

#### Recommendations

- o The County should establish centralized contract administrators reporting to and located in the departments. Under this

arrangement, contract administrators may be full-time or part-time, depending on the level of contract activity within the department. In some cases where divisions manage a significant number of contracts, such as the divisions within the Department of Transportation, centralized contract administrators may be justified at the division level.

- o The County should establish a contract administration support section within DPMM to provide departmental contract administrators the support and oversight necessary for effective contract administration. It is likely that this would require four to six additional staff persons in DPMM.

#### CONCLUSIONS AND IMPLEMENTATION PLAN

Contracting for goods and services is a major activity of Montgomery County government. Although the County has decentralized the responsibility for contract administration among its various departments and agencies, it has not provided adequate support to or oversight of departmental contract administrators. As a result, departmental contract administrators lack the guidance needed to ensure the consistent and adequate performance of their responsibilities. This leaves the County vulnerable to receiving inferior goods or inadequate and untimely services from its contractors.

The recommendations resulting from this study are intended to provide proper support, guidance, and recognition to departmental contract administrators to ensure consistent and adequate performance of their responsibilities. These recommendations should better enable departmental contract administrators to prevent contract problems before they occur and to recognize and effectively deal with contract problems when they do arise.

Exhibit E-1 presents a summary of our proposed plan for implementing the major actions recommended by this study. Most of these recommended actions can be accomplished within a two-year time frame with some recommendations being implemented on an ongoing basis. The resources required to implement the recommended actions can be partially provided by existing DPMM staff. However, additional staff resources in DPMM and certain departments may be required to fully implement all of these recommended actions. It should be noted that an in-depth analysis of staff resources within using departments and DPMM was not within the scope of this study.

Implementation of the recommended actions will require the full support and commitment from the County Council, County Executive's Office, DPMM, and department managers and staff. By designating a contract administration support section within DPMM and centralized contract administrators within the departments, the County can strengthen its contract administration program. This will also provide an appropriate balance between the competing objectives associated with departmental program and contract compliance responsibilities. These actions will increase the consistency and accountability of contract administration functions and will better enable the County to ensure that contract goods and services are provided in a timely and adequate manner.

EXHIBIT E-1  
IMPLEMENTATION PLAN

RECOMMENDED ACTION	DEPARTMENT/DIVISION/OFFICE	PRIORITY	TIME FRAME	RESOURCE IMPLICATIONS
<u>Laws, Regulations, Procedures, Guidelines</u>				
o Complete reserved sections of Procurement Regulations for grants, construction contracts, and termination	DPMM	1	1 year	1.0 PY
o Establish requirement for "due diligence" clause in contracts as part of either Procurement Regulations or Proposed General Conditions	DPMM, OCA	1	6 months	--
o Develop contract administration procedures and distribute as part of a contract administration manual to all contract administrators	DPMM	1	9 months	1.5 PY
<u>Contract Provisions</u>				
o Include status reporting requirements in contracts	DPMM, OCA	1	ongoing	--
<u>Contract File Documentation/Organization</u>				
o Develop minimum requirements for contract file formats and contents	DPMM	2	1 year	.3 PY
o Periodically review sample of contract files	DPMM	3	ongoing	.2 PY

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DPMM - Division of Purchasing and Materiel Management  
OCA - Office of County Attorney  
PY - Person Years

EXHIBIT E-1 (Continued)

IMPLEMENTATION PLAN

RECOMMENDED ACTION	DEPARTMENT/DIVISION/OFFICE	PRIORITY	TIME FRAME	RESOURCE IMPLICATIONS
<u>Forms and Data Bases</u>				
o Consolidate contract reporting requirements and revise Contract Monitoring Report (CMR)	DPMM	1	2 months	.1 PY
o Establish threshold under which CMR is not required	DPMM	1	2 months	.1 PY
o Compile/distribute list of department-specific contract reporting forms, reports, and data bases	DPMM	2	6 months	.2 PY
<u>Qualifications of Contract Administrators</u>				
o Establish class specifications for contract administrators	Personnel	2	1 - 1.5 years	.1 PY
o Develop/implement ongoing contract administration training program	DPMM, OCA, Personnel	1	ongoing	Unknown - Consultant or In-house Training Resources needed
<u>Processing Contract Documentation and Contractor Invoices/Payments</u>				
o Develop a streamlined procedure for processing contract renewals	DPMM, CRC	2	6 months	.1 PY
o Promptly document field orders and restrict their use	Departments, DPMM	2	ongoing	--

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DPMM - Division of Purchasing and Materiel Management  
 OCA - Office of County Attorney  
 CRC - Contract Review Committee  
 PY - Person Years

EXHIBIT E-1 (Continued)

IMPLEMENTATION PLAN

RECOMMENDED ACTION	RESPONSIBLE DEPARTMENT/DIVISION/OFFICE	PRIORITY	TIME FRAME	RESOURCE IMPLICATIONS
<u>Communications Among Contract Administration Personnel</u>				
o Organize meetings/workshops for contract administrators	DPMM, OCA, Departments	2	ongoing	.1 PY
o Develop periodic newsletter for contract administrators	DPMM, Departments	2	1 - 1.5 years/ ongoing	.3 PY
<u>Monitoring MFD Compliance and Enforcement</u>				
o Increase tracking of MFD participation	DPMM, Departments	2	ongoing	.3 PY
. MFD participation reporting procedures				
. Annual report on MFD involvement				
. Increase reporting from prime contractors				
<u>Organization of Contract Administration Functions</u>				
o Establish centralized contract administrators within departments	DPMM, Departments	1	1 year	Unknown - Department assessment required
o Establish contract administration support section within DPMM	DPMM, OMB	1	1 year	4 - 6 PY

DPMM - Division of Purchasing and Materiel Management  
 OCA - Office of County Attorney  
 OMB - Office of Management and Budget  
 PY - Person Years

## I. INTRODUCTION

This section discusses the background, study issues and concerns, purpose and scope, and approach of this study of contract administration for Montgomery County.

### BACKGROUND

Montgomery County is widely recognized as an innovative and extensive user of outside contracts to provide both goods and services. This practice received significant impetus during the past ten years when a wide variety of County services and functions were first contracted out to private service providers. This growth in outside contracting resulted from the former Administration's commitment to limit County employment to 1978 levels. As the demands for public services changed and expanded, County agencies increasingly turned to private contractors to meet these demands while keeping County staff levels within prescribed limits.

Over the past five years, Montgomery County has significantly increased its contracting activity. In fiscal year 1982, the County acted on 688 contract awards, modifications, and renewals amounting to over \$25 million. Since then, contracting activity has more than quadrupled, with the County acting on 3,191 contract awards, modifications, and renewals amounting to over \$137 million in fiscal year 1987.

The growing volume of contracting activity has placed a significant administrative burden on both the Division of Purchasing and Materiel Management and individual operating departments responsible for ensuring contractor performance. To guide Montgomery County's contracting program, the County issued its Procurement Regulations in October 1985. These regulations defined the policies and responsibilities for purchasing and contracting goods and services used by the County. Specific pre-award and post-award contract administration responsibilities were delegated to the operating departments. However, draft administrative procedures on contract administration were developed in March 1987 but never adopted or issued by the County.

### STUDY ISSUES AND CONCERNS

The scale and importance of Montgomery County's contracting program requires that it have an effective and efficient contract administration program in place. The County requires timely and thorough administration of contracts to ensure that contractor services and goods meet or exceed contract specifications in a timely manner.

Given the significant amount of contracting being conducted by the County, many members of the County Council have become concerned over the ability of the County's procurement policies and procedures to efficiently and effectively guide its contracting program. Moreover, concerns have been raised about the ability of department personnel to properly monitor contracts, the lack of training for contract administrators, and the decentralization of the procurement process. In response to these concerns, the County Council requested the Office of Legislative Oversight (OLO) to

review contract administration policies, procedures, and practices to assess their operational economy, management efficiency, and service effectiveness. As a part of its overall review, the Council authorized OLO to contract with an outside firm to assist in the study of contract administration by addressing the following issues:

- o Are current County contract administration laws, regulations, procedures, and guidelines adequate and effective in helping the user departments manage their contractors to ensure satisfactory and complete performance?
- o Are contracts sufficiently documented as to service scope, terms, products or performance results, compensation provisions, and required clauses to facilitate efficient and effective contract administration?
- o Are County contract administration resources properly organized, structured, and qualified to effectively carry out their responsibilities?
- o Are there effective systems and qualified staff in the County to properly oversee and evaluate contractor performance?
- o Are contract modification provisions consistent with County laws and regulations and are they being applied on an efficient, effective, and equitable basis?
- o Is the contract administration file adequate to ensure timely payment of invoices, tracking, and evaluation of contractor performance, preparation of the Contract Monitoring Reports, and maintenance of project records?
- o Are County contract administrators qualified to effectively perform their responsibilities?
- o Do existing County contract administration laws, regulations, procedures, and guidelines provide an adequate and clear basis for resolving contract disputes in a fair and equitable manner?

This study was also to address the question of whether past contract problems were isolated instances or whether they were indicative of systematic deficiencies requiring corrective action.

#### STUDY PURPOSE AND SCOPE

The purpose of this study is to assist Montgomery County's Office of Legislative Oversight in assessing contract administration functions and to develop recommendations to improve the efficiency and effectiveness of contract administration.

This study provides a management review of the organization, staffing, management practices, regulations, and operating procedures associated with contract administration functions within Montgomery County. The scope of this review includes:

- o assessing contract administration activities from contract execution through final payment
- o assessing procurement activities that affect contract administration functions
- o conducting a detailed review of 50 County contracts in 18 departments from fiscal years 1987 and 1988

#### APPROACH

The development of study findings and recommendations resulted from the following efforts:

- o Conducted a kickoff meeting with the Office of Legislative Oversight project staff.
- o Collected and reviewed important data and documentation including:
  - contract listings from fiscal years 1987 and 1988
  - Montgomery County Code, Procurement Regulations, and draft contract administration procedures and guidelines
  - contract monitoring and reporting forms from the Division of Purchasing and Materiel Management and selected departments
  - employee class specifications for positions with procurement-related activities and contract administration responsibilities
  - draft County contract administration training program descriptions
- o Conducted senior level interviews with selected County personnel, including:
  - four members of the County Council
  - Chief Administrative Officer
  - Contract Review Committee
  - members of the County Attorney's Office
  - Division of Purchasing and Materiel Management senior personnel
  - a member of the Labor/Employee Relations and Training Division of the Department of Personnel

These interviews provided information relating to key issues and opportunities for improving the administration of contracts as well as major strengths and weaknesses of the contract administration function. The comments and insights gained from these interviews aided in developing and revising the final

study design. Appendix A lists the senior officials as well as contract administration personnel who were interviewed during the study.

- o Revised final study design and developed interview guides, job activity questionnaire, contract file evaluation instrument, and survey plan.
- o Selected and reviewed 50 contracts from 18 departments from fiscal years 1987 and 1988. Appendix B lists the contracts reviewed during this study. The sample of contracts represents a broad range of departments, contract types, contract dollar amounts, and completed and ongoing contracts. Appendix C lists the number of contracts chosen by type and division.

Since contract files were reviewed by several people, a standard file review checklist was used for every file so that consistent data could be collected (illustrated in Appendix D).

- o Issued and reviewed Job Activity Questionnaires from departmental contract administrators and contract monitors for selected contracts and Division of Purchasing and Materiel Management managers. The Job Activity Questionnaire was designed to collect information describing the individual's responsibilities, time allocation, work experience, training needs, and reporting relationships as well as their attitudes regarding the strengths, weaknesses, and opportunities for improving the administration of County contracts.
- o Interviewed contract administrators and monitors for selected contracts. A standard interview guide was used to ensure consistent discussion of relevant topics and issues.
- o Surveyed designated contract administrators in each County department and agency to identify the number of staff involved in the administration and/or monitoring of outside contracts.
- o Assessed the adequacy, effectiveness, and efficiency of contract administration functions, procedures, and resources. Appendices E and F illustrate the primary contract monitoring and reporting forms used by the County.
- o Developed preliminary findings and recommendations for improvement.
- o Prepared an interim report outlining the preliminary findings and recommendations for improvement.
- o Met with Office of Legislative Oversight project staff and received comments on the interim report.
- o Documented study findings, recommendations, and implementation plan in a draft final report, which was subsequently distributed to County departments and agencies for review and comments.

- o Refined study findings, recommendations, and implementation plan in a final report, based on comments and suggestions provided by various County departments and agencies. Appendix G contains the written comments provided by County departments and agencies regarding the draft final report.

The remainder of this report is organized into three sections. Section II provides a profile of Montgomery County's current contract administration activities. Section III presents findings and recommendations specific to the major study issues. Section IV summarizes the study's conclusions and presents a plan for implementing the recommendations listed in Section III.



## II. CONTRACT ADMINISTRATION PROFILE

This section describes both the increasing trend in contracting for goods and services and the current level of contracting activity in Montgomery County. Furthermore, this section describes the policies and procedures that define contract administration responsibilities, and presents the current organization and allocation of staff resources responsible for administering County contracts.

### CONTRACTING ACTIVITY BY MONTGOMERY COUNTY

In fiscal year 1986, the Division of Purchasing and Materiel Management installed a central contract data base, the Procurement Weekly Activity Reporting (WAR) data base. The WAR data base tracks the following information for each County contract:

- o contract number
- o contract type
- o contract action
- o contract category
- o MFD-owned business category (minority, female, disabled)
- o department/office
- o contractor
- o dollar amount
- o contract description

Such information is entered whenever a contract is initiated, modified, or renewed.

The WAR data base enables contracts to be categorized by contract type and associated contract actions. Contract types are defined by the nature of goods or services being procured and the method used to procure these items. Contracts are categorized by one of the following three types:

- o Professional Services Contracts - for services of attorneys, physicians, architects, engineers, consultants, and other recognized professional individuals, associations, corporations, and groups.
- o Other-Than-Professional Services Contracts - for supplies, materials, equipment, and tangible commodities, including the construction, alteration, or rehabilitation of roads, public buildings, structures, or other improvements to real properties.

- o Emergency Contracts - for goods and services necessitated by threatened dangers, conditions, or unforeseen curtailment of an essential service or supply that if not remedied by a procurement will endanger or cause damage to life or property.

When contracts are initiated or a change takes place within the scope, terms, conditions, or dollar amount of the contract, the WAR data base records one of the following actions:

- o New Contract/Purchase Order - initiation of a contract.
- o Contract Modification - written alteration in the specification, delivery, contract period, price, quantity, or other contract provisions of an existing contract. Examples of contract modifications include:
  - Contract Amendment - a written amendment signed by the contractor and the contracting officer providing for a change in terms or conditions, including but not limited to additional work outside the scope of the original contract
  - Change Order - a written order signed by the contracting officer, or other authorized official, directing the contractor to make changes within the scope of the contract, pursuant to contract provisions for such changes, with or without the consent of the contractor
  - Field Order - a limited and specific written order, usually used in construction contracts, where the authority to direct timely, limited change to contract work has been delegated by the contract to the government agent at the place of performance

Contract modifications also include notices of termination and notices of exercise of a contract option or contract extension.

- o Administrative Actions - actions that do not alter the terms, conditions, scope, or value of a contract or a stand-alone purchase order. Examples of an administrative action are:
  - change order used to increase or decrease an encumbrance document
  - change order used to correct a vendor's name or address, vendor number, pseudocode, item description, unit of issue, or delivery address
  - an encumbrance document prepared concurrently with the award of a contract or contract modification
- o Contract Renewal - renewal of a contract for an additional period of time (typically one year).
- o Delivery Order - initiates the delivery of goods or services under an existing contract and establishes the terms, price, and source of supply (for other-than-professional services contracts).

From fiscal year 1982 to fiscal year 1986, this type of information was maintained manually. This historical information summarizes contracting activity by the total number and dollar amounts of yearly contract actions. The yearly totals represent the combined number of contracts, modifications, and renewals. Yearly totals and their percent change are listed in Exhibit II-1. Although the figures do not include all contract actions, they do illustrate the growth in contract activity over the past five years.

As Exhibit II-1 illustrates, contracting activity has grown significantly over the past five years. Since fiscal year 1982, the number of contract awards and their current dollar value have more than quadrupled. The most dramatic increase in contracting activity occurred in fiscal year 1986, when activity and current dollar value increased by 137 percent and 79 percent, respectively.

#### Summary of Contracts by Type and Action

Exhibit II-2 summarizes the number and dollar amount of contract activity in Montgomery County during fiscal year 1987, by contract type and contract action. During fiscal year 1987, Montgomery County:

- o awarded or renewed 2,507 contracts, amounting to over \$109 million
- o executed 2,231 contract modifications, delivery orders, and administrative actions, amounting to over \$49 million

#### Department Contracting Activity

While the number and dollar figures presented above give an overview of the County's overall contracting activity, the number and dollar amounts of contracting by department indicate where the majority of contract activity takes place. Currently, 37 departments and agencies within Montgomery County contract out for goods and services. Exhibit II-3 summarizes, by type of contract, the number and dollar value of new contracts/purchase orders, modifications, and renewals for these departments and agencies.

In fiscal year 1987, the County, through the 37 County and 2 State departments and agencies, issued 3,191 new contracts/purchase orders, modifications, and renewals. Delivery orders and administrative actions are not included in this figure because of possible double counting. Approximately two-thirds of these contract actions were made by the following eight departments:

- o Transportation (794)
- o Facilities and Services (544)
- o Family Resources (251)

## EXHIBIT II-1

COMPLETED CONTRACT AWARD  
ACTION SUMMARY

## CONTRACT INITIATION, MODIFICATION, AND RENEWAL ACTIONS ONLY

Fiscal Year	Total Number of Awards	Percent Change	Total Dollar Value*	Percent Change
1982	688	-	\$ 30,341,119	-
1983	1245	81.0%	53,536,634	76.5%
1984	1497	20.2	82,625,588	54.3
1985	1307	12.7	60,605,679	(26.7)
1986	3092	136.6	108,733,106	79.4
1987	3191	3.2	137,760,213	26.7

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\* All years adjusted for inflation in 1987 dollars.

Source: Information compiled from the DPMM Completed Action/Award Summary File for Contract Initiation, Modification, and Renewal Actions.

EXHIBIT II-2

SUMMARY OF CONTRACTS  
BY TYPE AND ACTION  
FOR FISCAL YEAR 1987

	New	Renewal	Modification	Delivery* Order	Administrative* Action	Total
<u>Professional Services</u>						
Number	736	23	395	77	11	1,242
Dollar	\$ 26,701,464	\$1,332,883	\$14,024,889	\$ 455,715	\$ (8,253)	\$ 42,506,698
<u>Other-Than-Professional Services</u>						
Number	1,554	194	289	1,344	115	3,496
Dollar	\$ 75,988,739	\$5,969,042	\$13,743,196	\$20,690,910	\$329,460	\$116,721,347
<u>Total</u>						
Number	2,290	217	684	1,421	126	4,738
Dollar	\$102,690,203	\$7,301,925	\$27,768,085	\$21,146,625	\$321,207	\$159,228,045

\* The amounts shown for Delivery Orders and Administrative Actions may somewhat double count the number and dollar amounts for contract initiation, modification, and renewal actions.

Source: Weekly Activity Reporting Data Base, DPMM.

Note: The number and dollar amounts for emergency contracts are included in these figures.

EXHIBIT II - 3  
DEPARTMENT SUMMARY OF CONTRACT ACTIONS (NEW CONTRACTS/PURCHASE ORDERS, MODIFICATIONS, AND RENEWALS)  
FOR FISCAL YEAR 1987

DEPARTMENT/OFFICE/AGENCY	PROFESSIONAL SERVICES		OTHER THAN PROFESSIONAL SERVICES		EMERGENCY		TOTAL	
	NUMBER	VALUE	NUMBER	VALUE	NUMBER	VALUE	NUMBER	VALUE
ADDICTION, VICTIM, MENTAL HEALTH *	42	\$171,004	16	\$31,462	1	\$9,500	59	\$211,966
ANIMAL CONTROL	1	\$598,720	2	\$3,321	-	-	3	\$602,041
ASSESSMENT AND TAXATION***	-	-	3	\$3,819	-	-	3	\$3,819
BOARD OF APPEALS	-	-	2	\$2,403	-	-	2	\$2,403
BOARD OF SUPERVISORS OF ELECTIONS	2	\$42,880	13	\$145,712	-	-	15	\$188,592
CHIEF ADMINISTRATIVE OFFICER	3	\$249,400	4	\$8,958	-	-	7	\$258,358
CIRCUIT COURT	-	-	13	\$37,504	-	-	13	\$37,504
COMMISSION FOR WOMEN	8	\$3,055	2	\$633	-	-	10	\$3,688
COMMUNITY USE OF EDUCATIONAL FACILITIES	32	\$70,919	5	\$7,841	-	-	37	\$78,760
CONSUMER AFFAIRS	2	\$3,500	10	\$10,677	-	-	12	\$14,177
CORRECTION AND REHABILITATION	17	\$224,091	47	\$651,852	2	\$6,103	66	\$882,046
COUNTY ATTORNEY	-	-	5	\$7,000	-	-	5	\$7,000
COUNTY COUNCIL	17	\$327,230	11	\$13,155	-	-	28	\$340,385
COUNTY EXECUTIVE	6	(\$61,668)	1	\$4,146	-	-	7	(\$57,522)
ECONOMIC DEVELOPMENT	18	\$369,010	11	\$18,862	-	-	29	\$387,872
ENVIRONMENTAL PROTECTION	25	\$3,201,427	50	\$11,322,698	1	\$4,000	76	\$14,528,125
FACILITIES AND SERVICES	117	\$2,319,576	414	\$18,271,369	13	\$167,905	544	\$20,758,850
FAMILY RESOURCES	207	\$4,807,152	44	\$688,614	-	-	251	\$5,495,766
FINANCE	-	-	-	-	-	-	-	-
PURCHASING AND MATERIEL MANAGEMENT **	-	-	61	\$1,402,331	-	-	61	\$1,402,331
OTHER FINANCE DIVISIONS	24	\$1,089,322	45	\$280,744	1	\$26,000	70	\$1,396,066
FIRE AND RESCUE COMMISSION	1	\$1,068	4	\$2,993	-	-	5	\$4,061
FIRE AND RESCUE SERVICES	4	\$31,650	37	\$1,841,073	1	\$11,856	42	\$1,884,579
HEALTH *	147	\$4,039,092	68	\$183,381	-	-	215	\$4,222,473
HOUSING AND COMMUNITY DEVELOPMENT	63	\$3,941,105	20	\$1,150,463	4	\$35,435	87	\$5,127,003
HUMAN RELATIONS	-	-	3	\$3,148	-	-	3	\$3,148
LEGISLATIVE OVERSIGHT	1	\$112,380	4	\$8,520	-	-	5	\$120,900
LIBRARY	20	\$263,566	158	\$1,415,051	1	\$4,000	179	\$1,682,617
LIQUOR CONTROL	2	\$23,342	47	\$599,407	1	\$25,000	50	\$647,749
MANAGEMENT AND BUDGET	22	\$623,265	37	\$730,296	1	\$12,000	60	\$1,365,561
PERSONNEL	50	\$1,171,211	3	\$11,325	-	-	53	\$1,182,536
POLICE	9	\$37,707	103	\$435,409	-	-	112	\$473,116
PUBLIC ADVOCATE	1	\$20,000	-	-	-	-	1	\$20,000
PUBLIC INFORMATION	3	\$7,500	14	\$163,087	-	-	17	\$170,587
RECREATION	89	\$821,077	110	\$464,057	1	\$23,500	200	\$1,308,634
SHERIFF	-	-	4	\$6,233	-	-	4	\$6,233
SOCIAL SERVICES	54	\$1,451,940	6	\$5,862	-	-	60	\$1,457,802
SOIL CONSERVATION	1	\$51,000	-	-	-	-	1	\$51,000
STATE ATTORNEY***	-	-	4	\$7,746	-	-	4	\$7,746
TRANSPORTATION	161	\$15,978,630	629	\$55,399,106	4	\$97,560	794	\$71,475,296
ZONING AND ADMINISTRATIVE HEARINGS	-	-	1	\$6,945	-	-	1	\$6,945
<b>TOTAL</b>	<b>1149</b>	<b>\$41,990,151</b>	<b>2011</b>	<b>\$95,347,203</b>	<b>31</b>	<b>\$422,859</b>	<b>3191</b>	<b>\$137,760,213</b>

SOURCE : WEEKLY ACTIVITY REPORTING (WAR) DATA BASE, DIVISION OF PURCHASING AND MATERIEL MANAGEMENT

\* APPROXIMATELY TWO-THIRDS OF THE DEPARTMENT OF HEALTH'S OUTSIDE CONTRACTS, AS LISTED ABOVE, WERE TRANSFERRED TO THE DEPARTMENT OF ADDICTION, VICTIM, AND MENTAL HEALTH, WHEN IT WAS CREATED DURING FISCAL YEAR 1987.

\*\* THESE CONTRACT ACTIONS ARE FOR MULTI-DEPARTMENT CONTRACTS.

\*\*\* DEPARTMENTS UNDER THE STATE OF MARYLAND BUT CONTRACTS ARE LISTED IN THE COUNTY WAR DATA BASE.

- o Health (215)\*
- o Recreation (200)
- o Library (179)
- o Police (112)
- o Housing and Community Development (87)

The combined number of new contracts/purchase orders, modifications, and renewals in the Departments of Transportation, Facilities and Services, and Family Resources amounted to 50 percent of the County's total contract awards, modifications, and renewals.

The dollar amounts associated with new contracts/purchase orders, modifications, and renewals issued by Montgomery County in fiscal year 1987 amounted to over \$137 million. The following 4 departments represented 82 percent of this total dollar value:

- o Transportation (\$71.5 million)
- o Facilities and Services (\$20.8 million)
- o Environmental Protection (\$14.5 million)
- o Family Resources (\$5.5 million)

The Department of Transportation accounted for over half of the County's expenditures on new contracts/purchase orders, modifications, and renewals in fiscal year 1987.

#### ORGANIZATION AND STAFFING OF CONTRACT ADMINISTRATION RESPONSIBILITIES

The Montgomery County Charter, Section 313, and the Montgomery County Code, Chapter 11B, provide for a centralized system of purchasing and contracting for all goods and services used by the County. The Chief Administrative Officer (CAO) is responsible for administering this system and delegating associated responsibilities, subject to direction from the County Executive. Procurement policies and procedures were implemented by the County on October 28, 1985, through the issuance of the Montgomery County Procurement Regulations. The regulations identify all individuals or groups responsible for various aspects of the procurement process and the policies and procedures necessary to carry out assigned responsibilities. The CAO has the official authority and responsibility for procurement of goods and services. Through the Procurement Regulations, the Chief of Purchasing and Materiel Management (CPMM) is delegated CAO procurement authority and responsibility.

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\* Approximately two-thirds of these contracts were transferred to the Department of Addiction, Victim, and Mental Health when it was created in fiscal year 1987.

Presented below are the organization and staffing of contract administration responsibilities in County departments and agencies, the Division of Purchasing and Materiel Management, the Contract Review Committee, and the Office of the County Attorney.

#### County Departments and Agencies

Individual departments are responsible for specific procurement functions, which are defined in Section E of the Procurement Regulations. At present, County contract administration responsibilities are primarily delegated to the departments that issue contracts to provide goods and services to the County. Department contract administration responsibilities include:

- o monitoring contract activities to ensure adequate and complete performance
- o documenting contractor performance in a contract monitoring report, as prescribed by the CPMM
- o maintaining complete contract files to contain written documentation on:
  - contract terms, conditions, and requirements
  - contract monitoring
  - change orders, field orders, modifications, and renewals
  - contract claims and disputes
  - encumbrance documents and payment certification
  - contractor-County correspondence
- o coordinating contract modifications and renewals with the Division of Purchasing and Materiel Management, the Contract Review Committee, and the County Attorney's Office
- o coordinating with the County Attorney's Office all County responses and actions taken with respect to contract problems
- o recommending contract termination actions to the CAO and the CPMM

Departments have delegated these responsibilities to contract administrators and/or contract monitors. In general, contract administrators are responsible for the administrative activities associated with contract management, including:

- o administering the contract modification and renewal process
- o developing new contract documents
- o maintaining overall contract file in a central location
- o ensuring that contract monitoring is being performed
- o promulgating department/division/program specific contract administration procedures and forms

- o acting as the liaison between department and DPMM, Contract Review Committee (CRC), and County Attorney's Office

In many larger departments, signatory responsibility over contract administration activities at the department level are held by a member of top management who delegates ongoing contract administration responsibilities to one or more subordinates.

Contract monitors typically have program responsibilities and technical expertise relating to the services provided by the contract. Contract monitors are responsible for:

- o writing technical or programmatic scope of services, terms and conditions, and specifications of the contract
- o monitoring contractor performance on a regular basis
- o monitoring contract progress through site visits and progress reports
- o determining whether invoices are in accordance with contract specifications and reflect actual work performed or goods received
- o maintaining a file for site visits, progress reports, contractor performance monitoring, and payments made against the contract amount

County departments and agencies currently organize contract administration in a variety of ways, including:

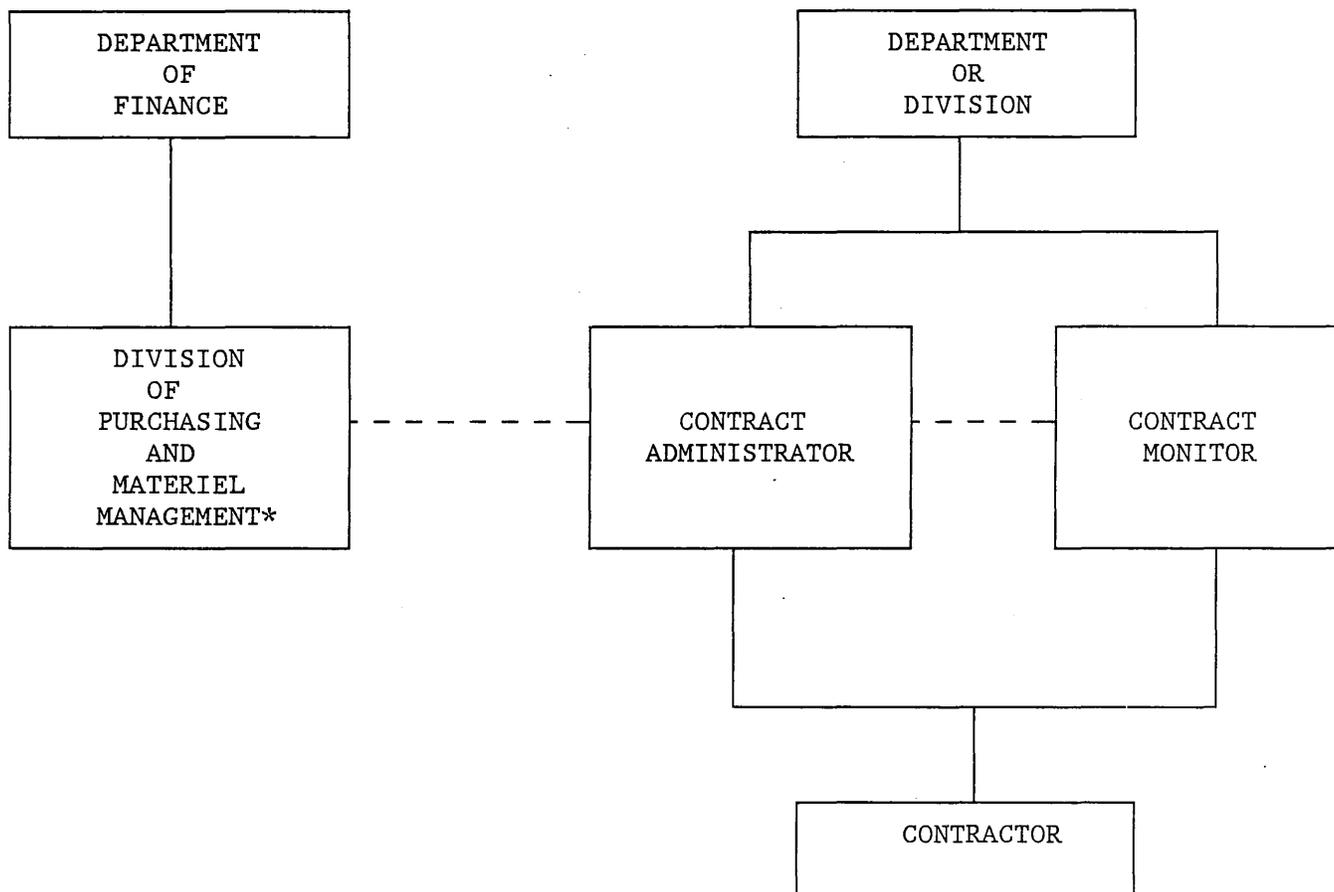
- o Full-time contract administrator - an individual whose full-time responsibility is to manage all contract administration duties for a department or division. Departments that have full-time contract administrators include:
  - Addiction, Victim, and Mental Health
  - Facilities and Services
  - Family Resources
  - Transportation (three of seven divisions)

Exhibit II-4 depicts the typical organization of contract administration resources in departments with a full-time contract administrator. In such departments, contract monitoring is usually performed by separate staff who report their results to the contract administrator.

- o Part-time contract administrator - an individual who is assigned contract administration responsibilities as one of several other departmental administrative responsibilities. Departments and agencies that have a part-time contract administrator include:
  - Animal Control
  - Board of Appeals

EXHIBIT II-4

DEPARTMENTAL ORGANIZATION OF CONTRACT ADMINISTRATION RESPONSIBILITIES  
FULL-TIME CONTRACT ADMINISTRATOR



\* THE CHIEF OF PURCHASING AND MATERIEL MANAGEMENT REPORTS TO THE CHIEF ADMINISTRATIVE OFFICER ON MATTERS PERTAINING TO PROCUREMENT AND CONTRACT ADMINISTRATION.

- Commission for Women
- Consumer Affairs
- Correction and Rehabilitation (professional services)
- County Council
- Economic Development
- Fire and Rescue Commission
- Finance (Division of Purchasing and Materiel Management)
- Health
- Libraries
- Office of Management and Budget
- Public Advocate
- Recreation
- County Sheriff
- Social Services
- Soil Conservation
- Transportation (two of seven divisions)

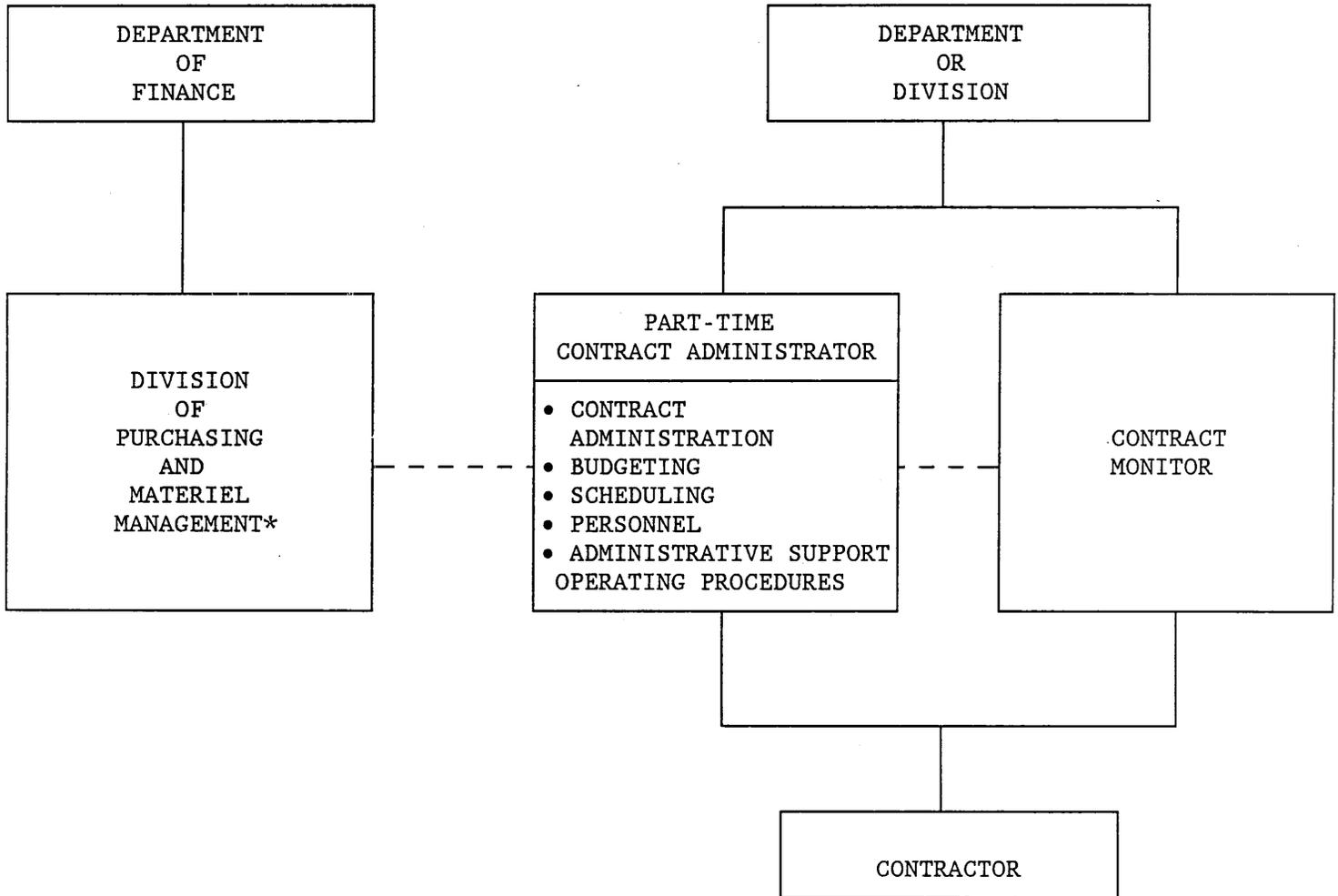
Exhibit II-5 presents the typical organization of contract administration resources in departments with a part-time contract administrator. In such departments, contract monitoring is usually performed by separate staff who report their results to the contract administrator.

- o Combined contract administrator and contract monitor - individuals who are program or project managers and administer specific program-related contracts. Departments and agencies in which individuals have combined contract administration and contract monitoring responsibilities include:

- Board of Supervisors of Elections
- Chief Administrative Officer
- Circuit Court
- Community Use of Educational Facilities and Services
- Correction and Rehabilitation (other than professional services)
- County Attorney's Office
- County Executive
- Environmental Protection
- Finance (Divisions of Accounting, Revenue, and Risk Management)
- Fire and Rescue Services
- Housing and Community Development
- Human Relations
- Information Systems and Telecommunication
- Liquor Control
- Office of Legislative Oversight
- Personnel
- Police
- Public Information
- Transportation (two of seven divisions)
- Zoning and Administrative Hearings

EXHIBIT II-5

DEPARTMENTAL ORGANIZATION OF CONTRACT ADMINISTRATION RESOURCES  
PART-TIME CONTRACT ADMINISTRATOR



\* THE CHIEF OF PURCHASING AND MATERIEL MANAGEMENT REPORTS TO THE CHIEF ADMINISTRATIVE OFFICER ON MATTERS PERTAINING TO PROCUREMENT AND CONTRACT ADMINISTRATION.

Exhibit II-6 depicts the typical organization of contract administration resources in departments that have personnel with combined contract administration and contract monitoring responsibilities.

Individual departments determine their contract administration staffing needs based on the number, type, and length of contracts and then allocate available staff resources accordingly. A summary of the number of departmental personnel who manage contracts, and their organization is presented in Exhibit II-7.

#### Division of Purchasing and Materiel Management

The Division of Purchasing and Materiel Management (DPMM) is one of four administrative divisions in the Department of Finance. DPMM is responsible for coordinating all procurements and providing contract administration oversight. The Chief of Purchasing and Materiel Management (CPMM) coordinates these activities within the division. The CPMM reports to the CAO on matters pertaining to procurement and contract administration.

According to the Montgomery County Organization Guide, DPMM is officially divided into two sections, Administration and Procurement. The Administration Section is responsible for:

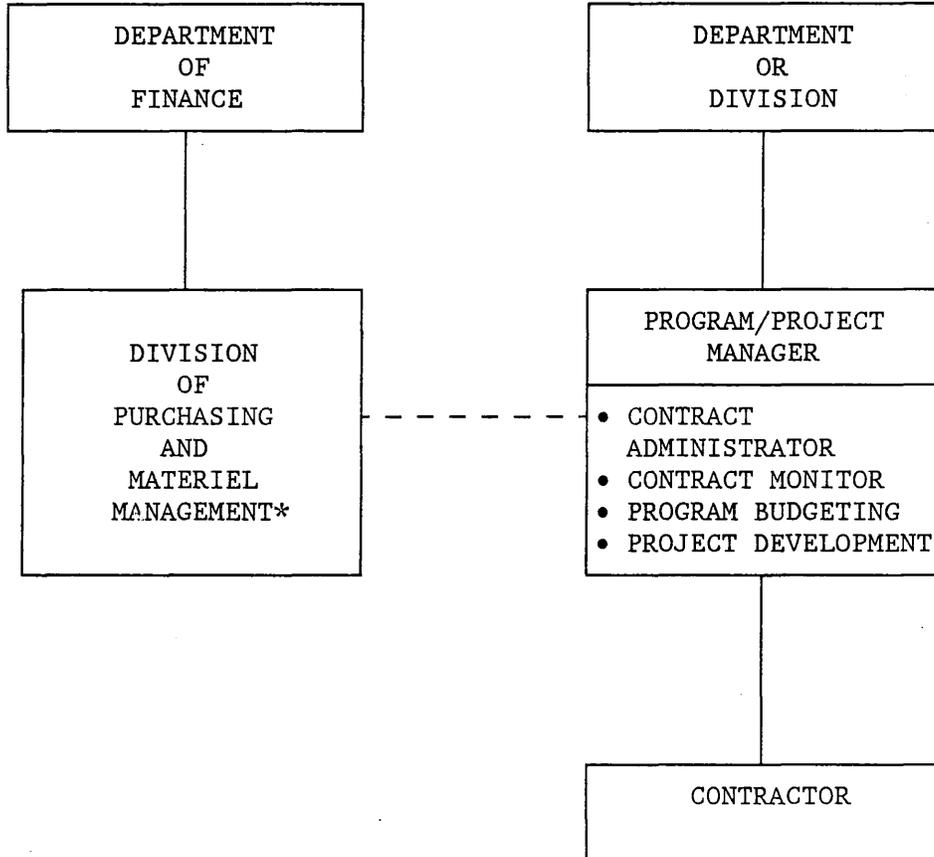
- o developing and reviewing purchasing policies and procedures
- o providing contract administration oversight
- o coordinating minority procurement
- o supporting the Contract Review Committee
- o maintaining the Procurement Weekly Activity Reporting (WAR) data base and a central contractor performance file

The Procurement Section is responsible for:

- o purchasing all equipment, supplies, and services for the County government
- o processing all County contracts
- o maintaining a central depository for official contract files
- o managing the competitive bid process for all purchases over \$10,000
- o maintaining a general stores facility of frequently used office supplies

EXHIBIT II-6

DEPARTMENTAL ORGANIZATION OF CONTRACT ADMINISTRATION RESOURCES  
COMBINED CONTRACT ADMINISTRATOR/CONTRACT MONITOR



\* THE CHIEF OF PURCHASING AND MATERIEL MANAGEMENT REPORTS TO THE CHIEF ADMINISTRATIVE OFFICER ON MATTERS PERTAINING TO PROCUREMENT AND CONTRACT ADMINISTRATION.

EXHIBIT II-7  
SUMMARY OF DEPARTMENT CONTRACT ADMINISTRATION  
ORGANIZATION AND STAFFING

DEPARTMENT	NUMBER OF CONTRACT ACTIONS FOR FY 1987*	NUMBER OF STAFF RESPONSIBLE FOR ADMINISTERING CONTRACTS	DEPARTMENT ORGANIZATION	
			TIME ALLOCATION	ROLE
ADDICTION, VICTIM, MENTAL HEALTH**	59	1	FULL-TIME	CA
ANIMAL CONTROL	3	1	PART-TIME	CA
BOARD OF APPEALS	2	1	PART-TIME	CA
BOARD OF SUPERVISORS OF ELECTIONS	15	1	PART-TIME	CA/CM
CHIEF ADMINISTRATIVE OFFICER	7	3	PART-TIME	CA/CM
CIRCUIT COURT	13	1	PART-TIME	CA/CM
COMMISSION FOR WOMEN	10	1	PART-TIME	CA
COMMUNITY USE OF EDUCATIONAL FACILITIES	37	3	PART-TIME	CA/CM
CONSUMER AFFAIRS	12	1	PART-TIME	CA
CORRECTION AND REHABILITATION	66	1, 2	PART-TIME	CA, CA/CM
COUNTY ATTORNEY	5	4	PART-TIME	CA/CM
COUNTY COUNCIL	28	1	PART-TIME	CA
COUNTY EXECUTIVE	7	4	PART-TIME	CA/CM
ECONOMIC DEVELOPMENT	29	1	PART-TIME	CA
ENVIRONMENTAL PROTECTION	76	8	PART-TIME	CA/CM
FACILITIES AND SERVICES	544	1	FULL-TIME	CA
FAMILY RESOURCES	251	1	FULL-TIME	CA
FINANCE	-	-	-	-
PURCHASING AND MATERIEL MANAGEMENT***	61	6	PART-TIME	CA
OTHER FINANCE DIVISIONS	70	12	PART-TIME	CA/CM
FIRE AND RESCUE COMMISSION	5	1	PART-TIME	CA
FIRE AND RESCUE SERVICES	42	30	PART-TIME	CA/CM
HEALTH**	215	1	PART-TIME	CA
HOUSING AND COMMUNITY DEVELOPMENT	87	13	PART-TIME	CA/CM
HUMAN RELATIONS	3	2	PART-TIME	CA/CM
LEGISLATIVE OVERSIGHT	5	2	PART-TIME	CA/CM
LIBRARY	179	1	PART-TIME	CA
LIQUOR CONTROL	50	2	PART-TIME	CA/CM
MANAGEMENT AND BUDGET	60	1	PART-TIME	CA
PERSONNEL	53	6	PART-TIME	CA/CM
POLICE	112	5	PART-TIME	CA/CM
PUBLIC ADVOCATE	1	1	PART-TIME	CA
PUBLIC INFORMATION	17	3	PART-TIME	CA/CM
RECREATION	200	1, 7	PART-TIME	CA, CA/CM
SHERIFF	4	1	PART-TIME	CA
SOCIAL SERVICES	60	1	PART-TIME	CA
SOIL CONSERVATION	1	1	PART-TIME	CA
TRANSPORTATION	794	-	-	-
EQUIPMENT MANAGEMENT	-	1	FULL-TIME	CA
OPERATIONS	-	1	FULL-TIME	CA
PARKING	-	5	PART-TIME	CA/CM
PLANNING AND PROJECT DEVELOPMENT	-	6	PART-TIME	CA/CM
TRAFFIC ENGINEERING	-	1	PART-TIME	CA
TRANSIT	-	1	PART-TIME	CA
TRANSPORTATION ENGINEERING	-	14	FULL-TIME	CA
ZONING AND ADMINISTRATIVE HEARINGS	1	1	PART-TIME	CA/CM

CA = CONTRACT ADMINISTRATOR - RESPONSIBLE FOR MANAGING CONTRACT ADMINISTRATION RESPONSIBILITIES AND OVERSEEING CONTRACT MONITORING ACTIVITIES AT DEPARTMENT OR DIVISION LEVEL.  
CA/CM = CONTRACT ADMINISTRATOR/CONTRACT MONITOR - RESPONSIBLE FOR MANAGING CONTRACT ADMINISTRATION RESPONSIBILITIES AND PERFORMING CONTRACT MONITORING ACTIVITIES REGARDING SPECIFIC CONTRACTS.

\* CONTRACT ACTIONS INCLUDE NEW CONTRACTS/PURCHASE ORDERS, MODIFICATIONS, AND RENEWALS.

\*\* APPROXIMATELY TWO-THIRDS OF THE DEPARTMENT OF HEALTH'S OUTSIDE CONTRACTS, AS LISTED ABOVE, WERE TRANSFERRED TO THE DEPARTMENT OF ADDICTION, VICTIM, AND MENTAL HEALTH WHEN IT WAS CREATED DURING FISCAL YEAR 1987.

\*\*\* THESE CONTRACT ACTIONS ARE FOR MULTI-DEPARTMENTAL CONTRACTS.

Although the official Organization Guide presents the general schematic of how responsibilities are divided in the DPMM, staff are currently allocated to and organized in four functional areas:

- o procurement of goods and other-than-professional services
- o procurement of professional services
- o procurement of services from minority/female/disabled contractors
- o contract coordination, reporting, and procedures development

Exhibit II-8 presents the current organization of these four functional areas within DPMM. As it illustrates, each functional area reports directly to the CPMM.

#### Contract Review Committee

The Contract Review Committee (CRC) is responsible for administrative review and approval for pre-award and post-award procurement activities. Specific CRC post-award responsibilities include:

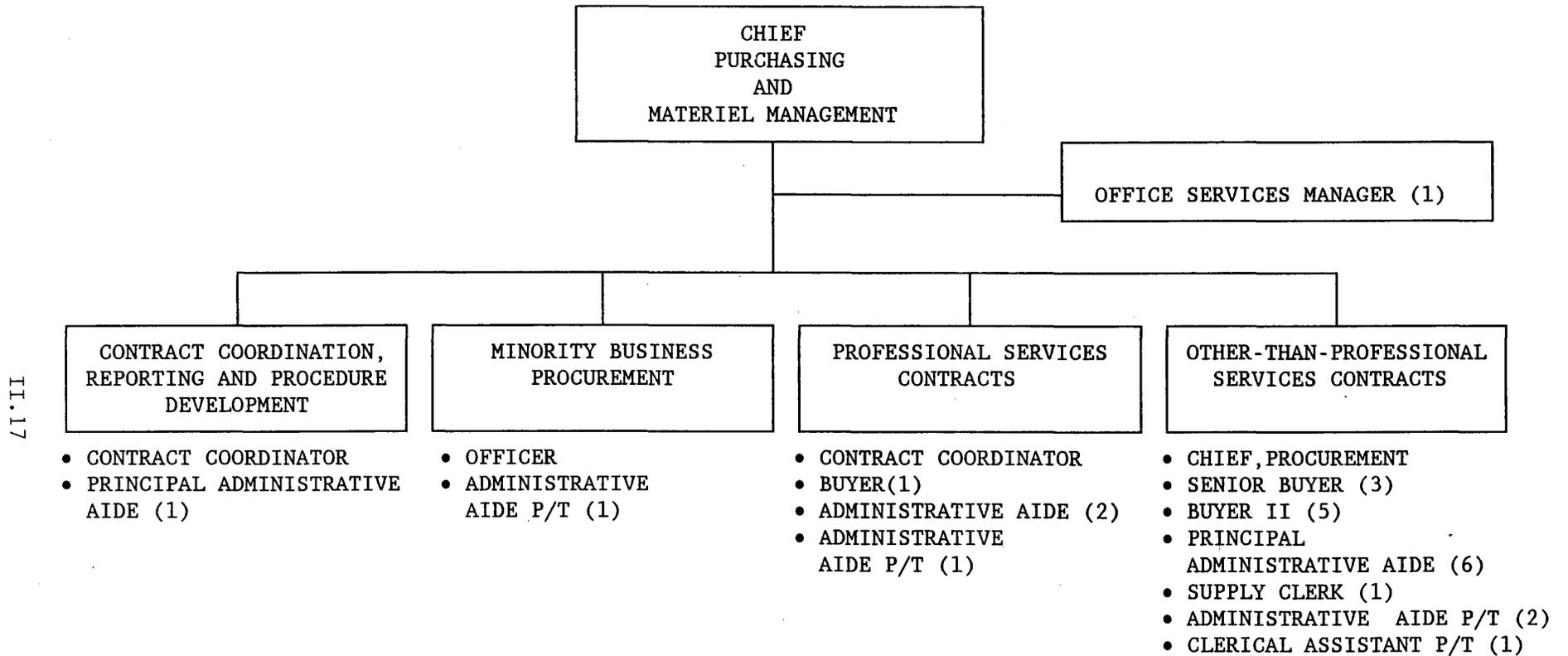
- o review and approval of all change orders or amendments to a contract affecting either the scope of the contract or the compensation in an amount over \$3,000
- o review and approval of renewals of contracts beyond one year if the original contract was not reviewed by the CRC
- o review of procurement matters referred to the CRC by the CAO, the CPMM, or the County Attorney
- o promulgation of internal guidelines regarding the County's procurement regulations and procedures to assist departments in obtaining expeditious CRC approval

The Contract Review Committee is composed of up to four voting members and one advisory member. Members include:

- o Assistant Chief Administrative Officer (Chairman), as designated by the CAO
- o Chief of the Division of Purchasing and Materiel Management, or designee
- o Director of the Office of Management and Budget, or designee
- o Director of the staff of the County Council, or designee, when a County Council procurement action is considered
- o County employee, as designated by the CAO, to act in the place of any member on the CRC, except the County Council representative, if that member is disqualified or unable to participate in any matter before the CRC

EXHIBIT II-8

ORGANIZATION AND STAFFING  
DIVISION OF PURCHASING AND MATERIEL MANAGEMENT



- o Advisory Member (non-voting) - County Attorney, or designee, to have voting privileges when a voting member, excluding the County Council representative, is disqualified and another member has not been designated by the CAO

Office of the County Attorney

The Office of the County Attorney is divided into five functional teams. One of these, the Finance Team, is responsible for financial matters and contracts. The team reviews all contract actions for legality and conformance with the County Procurement Regulations and a team representative advises the Contract Review Committee. The Finance Team is responsible for handling contract claims, negotiations, and litigation of all contract protests, disputes, and suits. The team also handles finance and tax matters such as litigation, advice and opinions, legislation, bankruptcy, and agency assignments, which consume approximately half of the team's time. The team is composed of:

- o Senior Assistant County Attorney (Team Leader)
  - directs efforts of team
  - reviews work of team
- o Associate County Attorney (Assistant Team Leader)
  - helps direct and coordinate efforts of team
  - serves on the Contract Review Committee and the Ethics Commission
- o Assistant County Attorney
  - reviews half of the total number of contracts to be reviewed by the County Attorney's Office
  - reviews tax matters
  - participates in other contract matters (reviews and develops standard contract language and forms)
- o Assistant County Attorney<sup>1</sup>
  - reviews half of the total number of contracts to be reviewed by the County Attorney's Office
  - participates in other contract matters (reviews and develops standard contract language and forms; and handles contract disputes)
- o Assistant County Attorney
  - participates in tax and finance matters only (has no contract-related responsibilities)

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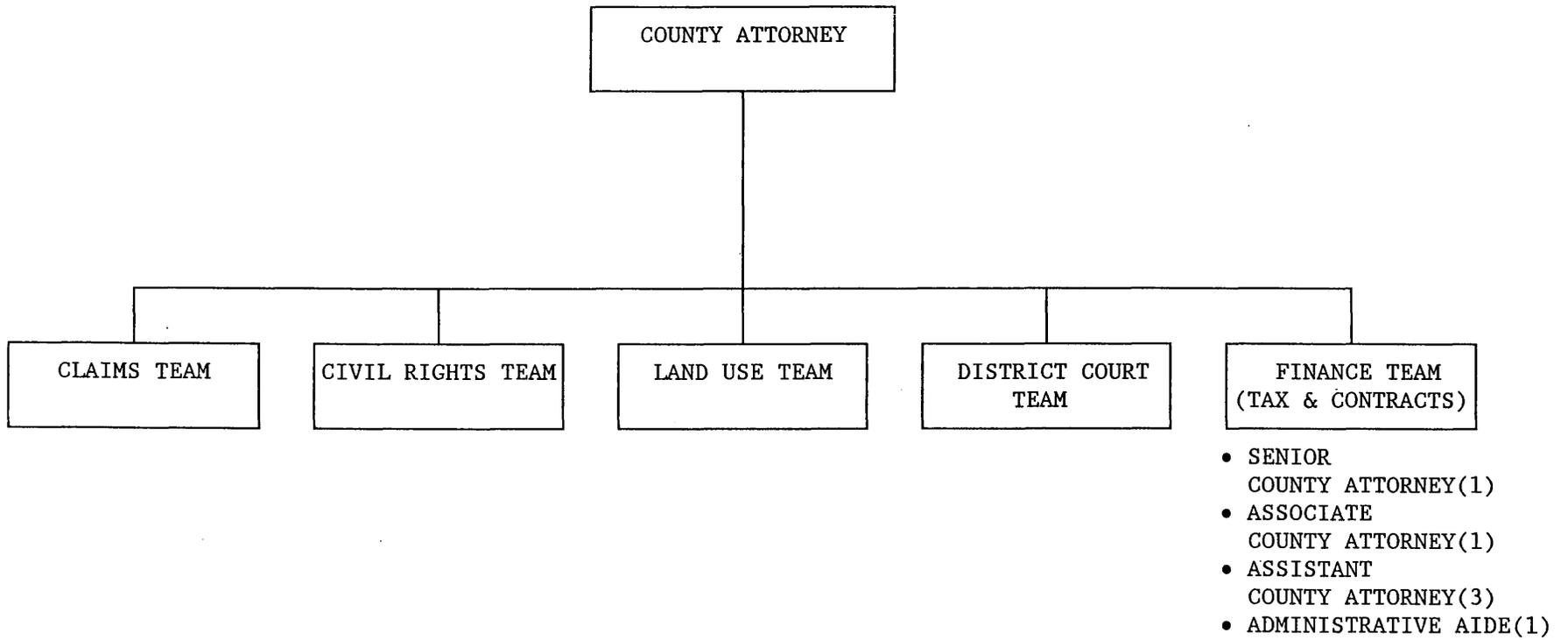
<sup>1</sup> This position was assigned contract review responsibilities in January 1988. Previously, only one Assistant County Attorney was responsible for reviewing new contracts, contract modifications, and extensions.

o Administrative Aide

Exhibit II-9 depicts the current staff levels and the organization of staff who participate in contract matters within the County Attorney's Office.

EXHIBIT II-9

ORGANIZATION AND STAFFING  
OFFICE OF THE COUNTY ATTORNEY



II.20

### III. FINDINGS AND RECOMMENDATIONS

This section presents the findings and recommendations regarding the management, execution, and organization of contract administration functions within Montgomery County. These are based on information gathered during our review of 50 contracts (representing 54 contract files), interviews with the contract administrators and monitors responsible for these contracts, and interviews with staff of the Division of Purchasing and Materiel Management, County Attorney's Office, and Contract Review Committee.

The findings and recommendations of this study are presented in terms of the following issue areas:

- o adequacy of laws, regulations, procedures, and guidelines pertaining to contract administration
- o adequacy of County contract provisions
- o adequacy of contract file documentation and organization
- o adequacy and effectiveness of contract administration forms and data bases
- o qualifications of contract administrators
- o efficiency of processing contract documentation and contractor invoices/payments
- o communications among contract administration personnel
- o monitoring MFD compliance and enforcement
- o organization of contract administration functions

Emphasis was placed on developing findings and recommendations that are supported by factual information resulting from the contract file review. However, the County can gain significant insights concerning the administration of outside contracts from the perceptions expressed by contract administrators during the study interviews. Therefore, a separate section is included to summarize the perceptions.

The section concludes with a discussion of the extent to which performance problems associated with the contracts included in our review reflect isolated instances or systematic deficiencies in the execution of contract administration functions.

#### BASIS FOR FINDINGS AND RECOMMENDATIONS

Fifty contracts were selected for review that represented a cross-section of the type, size, and duration of contracts used by various Montgomery County departments and agencies. As indicated in Exhibit III-1, contracts were selected from 18 different departments and agencies for fiscal years 1987 and 1988. These included a sampling of professional services contracts,

EXHIBIT III-1

SUMMARY OF CONTRACTS REVIEWED

<u>SAMPLE STRATIFICATION</u>	<u>NUMBER OF CONTRACTS (MFD CONTRACTS)</u>	
	<u>1987</u>	<u>1988</u>
o Professional Services		
Over \$10,000	13 (7)	3 (2)
\$10,000 and Under	<u>6 (3)</u>	<u>1 (1)</u>
Subtotal	<u>19(10)</u>	<u>4 (3)</u>
o Other than Professional Services		
Over \$7,000	12 (2)	3 (1)
\$7,000 and Under	<u>4 (1)</u>	<u>1 (0)</u>
Subtotal	<u>16 (3)</u>	<u>4 (1)</u>
o Emergency	<u>5 (0)</u>	<u>2 (0)</u>
Sample Total	<u>40(13)</u>	<u>10 (4)</u>

DEPARTMENT BREAKDOWN

o Addiction, Victim & Mental Health	- 3
o Correction and Rehabilitation	- 2
o Economic Development	- 2
o Environmental Protection	- 6
o Facilities and Services	- 6
o Family Resources	- 4
o Finance	- 1
o Fire and Rescue	- 2
o Health	- 2
o Housing and Community Development	- 2
o Library	- 2
o Liquor Control	- 1
o Personnel	- 2
o Police	- 3
o Public Information	- 1
o Recreation	- 3
o Social Services	- 2
o Transportation	<u>- 6</u>
	50 Contracts

other-than-professional services contracts, and emergency contracts, a third of which involved minority/female/disabled contractors. Appendix B describes each of the 50 contracts reviewed. Appendix C indicates the number of contracts reviewed by department/division and by type. Although 50 contracts were selected for review, 54 contract files were reviewed because several multiyear contracts had separate files for each year.

A contract file review checklist was used to record the contents of each contract file and the adequacy of related contract administration activities. Appendix D contains a copy of this checklist which summarizes the results for all contracts reviewed.

Following the review of each contract file, the contract administrator (and in many cases the contract monitor as well) was interviewed to confirm/clarify issues associated with the contract file, to follow up on issues or concerns noted in the responses to the completed job activity questionnaires, and to solicit the contract administrator's views regarding the major study issues.

The results of these fact finding efforts provide the basis for the following sections.

#### PERCEPTIONS OF CONTRACT ADMINISTRATORS

The views of contract administrators and contract monitors regarding the strengths, weaknesses, and recommendations for improving contract administration within Montgomery County provide a useful context for the subsequent study findings and recommendations. This section summarizes the more prevalent perceptions shared by contract administrators. These are organized according to the following issue areas:

- o procurement regulations, policies, and procedures
- o monitoring and recordkeeping requirements
- o staffing of contract administration responsibilities
- o contract review and approval process
- o contract administration support and training

#### Procurement Regulations, Policies, and Procedures

- o Procurement Regulations outline the contracting system process, but do not offer procedural guidance for contract administration.
- o Procurement regulations should be organized so that changes and new procedures and interpretations can be easily inserted.
- o Procedural memos and interpretive bulletins pertaining to procurement and contract administration functions are not effectively disseminated to the appropriate individuals.
- o Procurement Regulations should be completed and contract administration procedures need to be formalized.

- o Department/division-specific contract administration policies and procedures are needed to address issues, program requirements, and contract types associated with each department/division.

#### Monitoring and Recordkeeping Requirements

- o Contract Monitoring Reports are viewed as an unnecessary administrative burden and are not filled out unless problems with contractor performance occur.
- o Different monitoring and recordkeeping requirements should be established for different types of contracts (e.g., streamlined recordkeeping requirements for one-time purchases and a standard file format for requirements and professional services contracts).
- o Contract administrators do not use the Central Contractor Performance file kept in DPMM. Instead, contractor performance is often assessed by checking whether the contractor had a prior contract with the County and discussing the performance with the contract administrator for that contract.

#### Staffing of Contract Administration Responsibilities

- o Departmental staff involved in contract administration are not adequately trained and lack procedures that define how to properly carry out their contract administration responsibilities.
- o There are too many people in the departments handling different aspects of the contract administration function, often without proper coordination.
- o Adequate staffing of contract administration and contract monitoring functions should be in place before contracts are executed.
- o DPMM contracting work load has increased but there is insufficient staff to handle the increase.
- o County Attorney's Office has a designated team for contracts but needs more staff to handle the work load in a timely fashion.

#### Contract Review and Approval Process

- o CRC should have a member from one of the operating departments.
- o The amount of time taken for DPMM and the County Attorney's Office to review and approve new contracts or contract modifications varies significantly from contract to contract.
- o The contract amount levels that define whether contract actions require CPMM or CRC approval are too low, resulting in more

contract action reviews than are necessary for effective County control. This slows the contract administration process and strains DPMM and County Attorney's Office staff resources.

- o Contract services are often delayed because of the time-consuming review and approval process.

#### Contract Administration Support and Training

- o DPMM staff is reactive, not proactive, in providing assistance in contract administration matters.
- o The County offered contract administration workshops two years ago dealing primarily with the newly issued County Procurement Regulations. However, many contract administrators feel that formalized procedures and in-depth, ongoing training specifically geared to contract administration responsibilities are necessary.
- o Many contract administrators turn to contract administrators in other departments for specific contract administration advice and guidance.
- o The County Attorney's Office is not responsive or consistent in providing assistance in contract administration matters.

#### MAJOR STUDY ISSUE FINDINGS AND RECOMMENDATIONS

This section presents the findings and recommendations resulting from our assessment of contract administration in Montgomery County. Findings and recommendations are presented for each of the major study issues, listed earlier.

Although the findings focus on opportunities for improvement regarding the administration of contracts within Montgomery County, it is important to recognize the many positive elements of contract administration as it is currently functioning in the County. These include:

- o a strong desire on the part of DPMM staff and departmental contract administrators to obtain the most qualified contractors and most cost-effective contract services and goods for the County
- o a positive attitude and desire on the part of departmental contract administrators to improve their ability to perform the full range of contract administration functions
- o efforts by the Professional Services Contracts unit of DPMM to review contract scopes of services and schedules during contract development to ensure that they are clear and sufficiently detailed to facilitate contract administration
- o the development of interpretive bulletins by CRC to help clarify the procurement regulations

- o the development of an informal network of contract administrators who willingly share ideas and approaches to carrying out contract administration functions
- o the timely approval of contractor invoices by departmental contract administrators, generally within a two-week time frame
- o the implementation of useful and effective contract administration systems in certain departments, typically having full-time contract administrators

The findings and recommendations presented below are prefaced by a brief background description of each issue area.

Adequacy of Laws, Regulations, Procedures, and Guidelines Pertaining to Contract Administration

Background

The legal and regulatory framework for carrying out contract/procurement activities in the County is provided primarily through the following:

- o The Montgomery County Charter, Section 313
- o The Montgomery County Code, Chapter 11B, "Contracts, Procurement Matters, and Ethics"
- o Executive Regulation No. 130-85, "Procurement Regulations"

Section 313 of the Montgomery County Charter requires the County Council to prescribe a centralized system of purchasing and contracting to be administered under the direction of the Chief Administrative Officer (CAO). The County Code specifies the power and duties of the CAO, or the CAO's representative, related to contracting and procurement. The Procurement Regulations define procurement and contracting terms, actions, and responsibilities, with primary emphasis on the steps leading to contract initiation. The Contract Review Committee issues interpretive bulletins to elaborate on selected procurement regulations. Twenty-seven interpretive bulletins have been issued to date.

These materials were reviewed to determine their impact on County contract administration. The findings and recommendations from this review are provided below.

Findings

- o While the County Charter and the County Code Stipulate a Centralized System of Purchasing and Contracting, Administration of County Contracts is Highly Decentralized

The County's procurement regulations specify that individual departments are responsible for many contracting functions, including acquisition planning, review of vendor's submissions, solicitation and contract documentation, and contract

administration. This is a valid approach to organizing contract administration responsibilities given the CAO's authority to delegate procurement/contracting responsibilities as specified in the County Code.

o County Procurement Regulations are Incomplete

Ten separate sections of the Procurement Regulations were incomplete and left as "reserved" sections in June 1986 when the County Council formally adopted the regulations. The reserved sections include the following:

- Bond and Insurance
- Contract Cost and Pricing Principles
- Contract Termination
- Construction Contracts
- Ethics
- Government Property
- Cooperative Purchasing
- Grants
- Patents and Copyrights
- Value Engineering

None of these sections has been completed or adopted to date. During our interviews, several contract administrators noted that the absence of regulations pertaining to the areas of Contract Termination, Construction Contracts, and Grants gave them inadequate guidance to carry out their contract administration responsibilities.

Aside from the incomplete or absent reserved sections of the Procurement Regulations, there is no requirement that a contractor proceed with the provision of contracted services during a contract claim or dispute. Since neither the Contract Claims nor the Protests, Disputes, and Appeals sections of the Procurement Regulations requires such a "due diligence" clause, the County is exposed to the nuisance and potential danger of a contractor stopping or postponing the delivery of necessary services during a contract claim or dispute.

In February 1988, the Office of the County Attorney issued a draft set of Proposed General Conditions which defines desired terms for County contracts. These draft conditions include a "due diligence" provision. The Office of the County Attorney has indicated a preference for including the "due diligence" provision in the Proposed General Conditions, instead of the Procurement Regulations, to provide the County with greater flexibility to negotiate the inclusion of such a provision in County contracts.

- o County Procurement Regulations Generally Define Contract Administration Responsibilities but are not Adequate to Guide Contract Administration Activities

Section E.7 of the Procurement Regulations addresses contract administration responsibilities of "using departments." This six-paragraph section is sufficient to generally define areas of responsibility; however, it does not provide detailed guidance necessary for carrying out contract administration functions.

The lack of contract administration guidelines and procedures in areas such as contractor monitoring and reporting, processing contract documentation (modification and extensions), and recordkeeping reduces the ability of County staff to carry out contract administration functions in a consistent and adequate manner. As a result, there is a wide variance in the substance and style of contract administration functions by departmental contract administrators. This results in the instances of poor file maintenance, contractor monitoring, or document processing; confusion among contractors serving several departments within the County; and an inability to hold contract administrators accountable for their performance.

Because the County has adopted no formal procedures or guidelines for contract administration functions, contract administrators must either develop their own practices or use those developed by contract administrators with whom they interact. This is particularly difficult for staff serving as contract administrators for the first time.

- o CRC Interpretive Bulletins and DPMM Revisions to Procurement Requirements are not Effectively Distributed to Appropriate Department Contract Administration Personnel

The CRC has developed 27 interpretive bulletins that elaborate on specific elements of the County's Procurement Regulations. During interviews, it was found that many of the contract administrators did not have a set of these bulletins. This results from the lack of an effective distribution process to guarantee that new bulletins are distributed to appropriate contract administration personnel in a timely manner.

In addition, no procedure guarantees that contract administration personnel are notified of changes in County procurement and contracting procedures. As a result, contract administrators may submit incorrect procurement documentation to DPMM or submit incorrect contractual documentation to DPMM or the County Attorney's Office. For example, late in fiscal year 1987 contract administrators submitted purchase orders and encumbrance requisitions to DPMM to renew multiyear contracts. The contract administrators were unaware that a new purchase order was no longer used for the process but, rather, a change order to the initial contract purchase order was required instead.

## Recommendations

### o County Should Complete Missing Sections of Procurement Regulations Needed by Contract Administrators

It is recommended that the County complete and approve sections of the Procurement Regulations dealing with grants, construction projects, and contract terminations. Several departments are currently administering a significant number of construction and grant contracts. The Department of Transportation administers primarily construction contracts. Their contracts account for over 50 percent of the total dollar amount the County paid contractors in 1987. Grants are unique in that they may not be viewed as contractual relationships, particularly by the grantees.

The County, through its Procurement Regulations or Proposed General Conditions, should require that all contracts contain a "due diligence" provision requiring contractors to continue to honor their contractual service obligations while the disposition of claims or disputes is pending. If the County chooses to require this through its Proposed General Conditions, proper oversight is required to ensure that contracts include the "due diligence" provision unless specifically deleted by the County. This can be accomplished by requiring CPMM approval of any exemption to the "due diligence" provision (Section 6 of the Proposed General Conditions).

### o County Should Develop a Formal Set of Contract Administration Procedures

These procedures should specify minimum Countywide requirements for:

- contract recordkeeping
- contract monitoring
- processing contract modifications, extensions, and invoices
- contract reporting/interoffice communications
- MFD compliance reporting

Countywide contract administration procedures should be developed by DPMM and distributed directly to departmental contract administrators. These procedures should be augmented, as required, by further requirements specific to the department, office, or program for which the contract is provided.

### o A Contract Administration Manual Should be Developed for Use by Contract Administrators

The County, through DPMM, should develop a contract administration manual to help guide activities of contract administrators. This manual should include the following:

- procurement regulations
- procurement procedures/guidelines

- interpretive bulletins
- contract administration procedures
- contract administration forms

Departmental contract administrators should augment the manual with department/division-specific contract administration procedures and forms.

To facilitate updating, it is suggested that the manual be kept in a loose-leaf binder so that users can easily replace sections with updated materials.

CRC and DPMM should promptly distribute interpretive bulletins and revised or new procurement/contract administration requirements and procedures to departmental contract administrators. Professional and administrative staff roles and responsibilities in this process should be assigned to ensure timely and thorough distribution.

### Adequacy of County Contract Provisions

#### Background

Contract administrators are responsible for developing the actual contract documents in Montgomery County. The County Attorney's Office specifies the appropriate contract clauses that should be included and the contract administrator combines them with the scope of services, project and/or deliverables schedule, and budget/costs to form the contract. DPMM and the County Attorney's Office review and approve the contract once developed.

The contract provisions used by the County have a significant impact on the ability of contract administrators to monitor and control contractor performance. The scope of services, budget, schedule, and deliverables must be clearly defined for the contract administrator to be able to determine whether the contractor is performing as desired by the County.

During our review of 50 contracts, we assessed the contract provisions to determine whether they were sufficient from a contract administration standpoint.

The findings and recommendations resulting from this review are provided below.

#### Findings

- o In General, Montgomery County Contracts Provide a Reasonable Basis for Assessing Contractor Timeliness, Budget Performance, and Service Compliance

A large majority (over 84 percent) of the applicable contracts reviewed during this study clearly defined the time frame during which services were to be rendered (start date, completion date), the budget for these services, and the nature of these services.

Of the 28 contracts expected to have a clear schedule of when specific project tasks were to be completed, only 5 were missing such a schedule. Only 4 of the 29 contracts expected to have a deliverables schedule for reports or materials were missing such a schedule. Missing schedules severely hinder the contract administrator's ability to effectively monitor and control contractor performance.

Several of the professional services contracts reviewed contained an overly general description of the tasks to be accomplished under the contract. In some cases, the contract stipulated the project's end product, for example, development of a program or completed study, without specifying the tasks to be undertaken to develop the end product. In several other cases the scope of services stated the objectives of the contract without specifically stating the sequence of tasks that would be undertaken to complete the project. As a result, project products or services were often slow to develop.

o Compensation Provisions in Most Contracts are Well Developed and Clearly Define the Invoice and Payment Process

The compensation provisions contained in most (over 92 percent) of the 50 contracts reviewed clearly define the basis of compensation for services. These included:

- task completion - contractor is paid upon completion of specific tasks defined in the scope of services.
- percent of project completion - contractor is periodically paid a percentage of the total contract price that reflects the percent of project completed
- periodic - contractor is paid a percentage of total contract price periodically regardless of percent completed
- deliverables received - contractor is paid upon receipt and acceptance of deliverables

The contracts also clearly specified where the contractors were to submit their invoices.

o Contract Status Reporting is Often Not Required or Not Performed by Contractors

In 32 percent of the contract files reviewed, there was no contractual requirement that contractors submit progress reports describing tasks accomplished, deliverables produced, problems encountered, or anticipated tasks. Of the contract files reviewed that required such status reporting, almost half (43 percent) did not contain progress reports.

The lack of status reporting requirements in contracts and the failure of contractors to submit status reports inhibit the ability of contract administrators to monitor contractor performance. This increases the potential for contract problems to continue undetected until it is too late to easily resolve them.

In one of the contracts reviewed in which progress reports were expected but not found, the contractor rendered services to the County that were not included in the contract scope of services but which were subsequently billed to the County. If a progress report had been submitted specifying the planned activities under the contract, the contract administrator could have prevented the contractor from conducting this work.

#### Recommendation

- o Increased Emphasis Should be Placed on Including Status Reporting Requirements in Contracts and Ensuring that Contractors Comply with these Requirements

Status reporting requirements should reflect the type, size, and duration of a contract. For example, status reports for one-time purchases of supplies would be unnecessary; however, status reports for contracts involving the provision of services are essential for effective contract management. In such cases, periodic status reports should describe specific accomplishments under the contract, deliverables produced and provided to the County, adherence to schedule and budget, any problems/issues relating to the performance of the contract, and expected actions to be accomplished.

#### Adequacy of Contract File Documentation and Organization

##### Background

The following types of documentation were reviewed to assess the adequacy of files maintained by contract administrators and contract monitors:

- o pre-award contract documentation (Request for Proposal (RFP), Invitation For Bid (IFB), accepted proposal)
- o procurement-related documentation (actual contract, amendments, purchase orders)
- o scope of services, schedule, and budget
- o copies/records of deliverables
- o internal/external correspondence

Maintaining an organized, complete contract file is an important prerequisite for effective contract administration. Our review focused on determining whether contract documentation is sufficiently complete and organized to allow contract administrators to effectively monitor and control contracts; document key contractual events; and efficiently process contract invoices, payment requests, and contract modifications.

## Findings

### o File Organization and Adequacy Varied Substantially Due to Lack of Standardized Recordkeeping Procedures for Contract Administrators

Currently, the County has no procedures or guidelines that describe what contract files should contain or how they should be organized. As a result, contents and organization of files maintained by contract administrators vary widely. Based on our review of actual contract files, we found:

- 44 percent were not complete
- 26 percent were not properly organized
- 16 percent were not adequately labelled

Numerous contract files were missing such contract documents as:

- pre-award documentation (request for proposal, accepted proposal or bid, correspondence)
- contract monitoring reports and site visit documentation
- contract correspondence (between County and contractor and within contract administration team)
- MFD contractor involvement documentation

A limited number of contract files lacked such important contract documentation as:

- executed contract
- contract amendments
- project budget
- contractor invoices
- CPMM notification of field orders

The absence of key contract documentation from contract files reduces the ability of contract administrators and monitors to effectively track contractor performance or provide supporting documentation in a contract claim or dispute. Poorly organized contract files are more likely to have missing contract documentation. This can be a serious problem if a dispute arises with a contractor and the contract administrator cannot locate key documents to support the County's case. Poorly organized contract files also make it difficult for departmental staff or newly assigned contract administrators or monitors to understand the status or nature of ongoing contracts.

### o Departments With Substantial Contracting and Centralized Contract Administrators Generally Have Better Organized and More Complete Files

In several departments, centralized contract administrators have instituted standardized approaches to contract filing that help to ensure that essential contract documentation is retained and

is organized in the contract file. Although not always complete, these files were generally in much better condition than the files in departments without a centralized contract administrator.

Departments that have developed effective contract filing approaches include:

- Addiction, Victim, and Mental Health
- Family Resources
- Health
- Transportation

Each department has a centralized contract administrator. Transportation has division-level contract administrators, while the other departments have department-level contract administrators.

o Other-Than-Professional Services Contracts for One-Time Procurements Generally Have Little Documentation in the Contract File

These contract files generally consist of only the purchase order. No related correspondence, or indication that the product is acceptable, is included. Generally, staff do not view these purchase orders as "contracts" that require other file documentation.

Recommendations

o County Should Establish Minimum Standard File Formats, Contents, and Recordkeeping Procedures for Professional Services and Other-Than-Professional Services Contracts

Contract file formats should specify what contract documentation must be kept in the file. They should address specific documentation in the following categories:

- pre-award documentation
- procurement-related documentation
- scope of services, schedules, budgets
- copies/records of deliverables
- internal/external correspondence
- contract monitoring
- contractor invoices

Simplified contract file requirements should be developed for small, single purchase order contracts. These should not require extensive documentation.

The County should develop contract recordkeeping procedures as part of the recommended contract administration manual. The procedures should specify file content, suggest recordkeeping practices, and include examples of how files for various types

of contracts could be kept. For example, file formats used for construction contracts could be used by several departments (i.e., Transportation, Environmental Protection, and Facilities and Services). File formats used for social services contracts could be used by several departments (i.e., Health; Family Resources; and Addiction, Victim, and Mental Health).

o DPMM Should Annually Review a Sample of Contract Files to Assess Adequacy of Documentation and Organization

Contract file reviews will enable DPMM to determine the degree to which contract administrators are complying with established recordkeeping requirements. They will also provide DPMM with opportunities to help departments implement more effective contract filing and documentation practices to ensure that contract files are organized and complete.

Adequacy and Effectiveness of Contract Administration Forms and Data Bases

Background

The monitoring of contractor performance is an important contract administration responsibility since it helps to ensure that the County receives what it contracted for. DPMM and other County departments use an assortment of standard procurement forms and data bases that document procurement-related and contract monitoring activities. For example, DPMM has established a centralized data base of all contract actions from which the County's Procurement Weekly Activity Report (WAR) is generated. DPMM has also developed a central reporting system to collect contractor performance information from contract administrators. Several departments have developed and use their own contract monitoring forms, reports, and data bases. Findings and recommendations regarding these contract administration forms and data bases are presented below.

Findings

o DPMM Contract Monitoring Report (PMMD-15) is Not Being Used Effectively to Document Contractor Performance

A centralized contractor performance data base is required under the County's Procurement Regulations. DPMM has developed a standardized Contract Monitoring Report (Form PMMD-15) that contract administrators are required to complete and submit whenever a contract is:

- modified in terms of scope or price
- extended
- completed
- subject to actual or anticipated performance problems

The form is intended to provide contractor performance information for the centralized contractor performance data base. Appendix E contains a copy of the form and its accompanying instructions.

Contract administrators who were interviewed do not generally submit Contract Monitoring Reports to DPMM as required. Only 20 percent of the contract files reviewed contain copies of this form. The form was used to address contractor performance problems in only one of the contracts. Most contract administrators view this form as unnecessary, uninformative, and inappropriate (particularly for Requirements Contracts).

The Contract Monitoring Report provides only two choices for rating contractors: "acceptable" or "unacceptable." Many contract administrators are hesitant to indicate that a contractor's performance is unacceptable, particularly for minor performance problems. Because they fear this will unreasonably damage the contractor's reputation in the County, contract administrators usually rate contractor performance as acceptable without elaborating on the level of performance in the comment section of the form. As a result, the County has no way to determine whether a contractor has provided marginally acceptable services or superior services.

o DPMM's Centralized Contractor Performance Data Base Is Rarely Used During Contract Solicitation Process

Contract administrators rarely use DPMM's centralized contractor performance data base during the contractor selection process. In general, contract administrators either are unaware that the data base exists or they do not believe that the data submitted on the Contract Monitoring Reports (which provide the input to the data base) are meaningful or valid.

When contract administrators wish to assess past performance of a prospective contractor, they usually determine whether the contractor has been active in the County. If so, they contact the contract administrator responsible for past County projects conducted by the contractor to discuss the contractor's performance.

o Many Contract Files Are Missing the Professional Services Procurement Processing and Reporting Form (PMMD-8) for New Contracts or Renewals, Which is Somewhat Redundant to the Contract Monitoring Report Form (PMMD-15)

DPMM has developed a form for reporting contract procurement and administration actions regarding professional services contracts. The Professional Services Procurement Processing and Reporting Form (PMMD-8) must be completed by contract administrators and submitted to DPMM whenever a professional services contract is initiated, modified, or extended. Appendix F contains a copy of the form.

The form is used by DPMM to identify the type of contractor (MFD, non-MFD, public entity, grantee) and to record the number of contract actions for each type of contractor. There is no

comparable form for other-than-professional services contract actions. This form appears to be somewhat redundant to the Contract Monitoring Report form (PMMD-15) in that it also records the contract action taking place. It was missing from 12 of the 27 professional services contract files reviewed.

o The Extent and Nature of Contract Administration Forms, Reports, and Data Bases Vary by Department

Departments with centralized contract administrators are more likely to develop their own forms and data bases for contract monitoring than departments with decentralized contract administrators. Several departments with centralized contract administrators have developed their own contract monitoring forms and systems. They include the following:

- Department of Transportation - divisions use a variety of forms, including:
  - . Daily Construction Log
  - . Inspector Daily Report
  - . Materials Check Sheet
  - . Biweekly Progress Reports
  - . MFD Monthly Update
- Department of Family Resources - has developed a comprehensive contract monitoring program and set of contract monitoring forms (Exhibit III-2 displays the Contract Monitoring Plan form).
- Department of Social Services - has developed its own contract monitoring report.
- Department of Facilities and Services - has developed a biweekly status report on contracts, and maintains a centralized data base of contract information.
- Department of Correction and Rehabilitation - has developed a quarterly contract monitoring form that is submitted by division contract monitors to the Administrative Specialist II.
- Department of Public Libraries - has developed a centralized data base of contract information and standard reporting procedures.

These internal systems, forms, and data bases help the departments keep contract files organized and complete.

EXAMPLE OF DEPARTMENT LEVEL  
STANDARD MONITORING FORM

FY 86 CONTRACT MONITORING PLAN FOR: \_\_\_\_\_  
(Program)

CONTRACTOR: \_\_\_\_\_ MONITOR: \_\_\_\_\_

# OF YEARS AS CONTRACTOR FOR PROGRAM: \_\_\_\_\_ YEAR OF \_\_\_\_\_ YEAR CONTRACT (MULTI)

OBJECTIVES	YES	NO	TO BE PERFORMED BY: Div/Office/Agency	1st	2nd	3rd	4th
				QTR	QTR	QTR	QTR
-----							
<u>DFR</u> Quarterly Monitoring							
Site Visits: Announced							
Site Visits: Unannounced							
Evaluation:							
Needs Assessment							
Financial Audit							
RFP (Current Year)							
<u>CONTRACTOR</u> Monthly/Quarterly Service Reports							
Year End Report							
OTHER MONITORING							

EXCEPTIONS/WAIVERS: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Approved by: \_\_\_\_\_  
Division Chief Director

Date: \_\_\_\_\_ Date: \_\_\_\_\_

\* Place an asterisk beside the quarter(s) targeted for a team visit(s).

### Recommendations

- o DPMM Should Consolidate Contract Reporting Requirements and Revise the Contract Monitoring Report Format So That Contractor Performance is Accurately Documented

DPMM should consolidate its contract reporting requirements into a single, multi-purpose form. This can be accomplished by revising the Contract Monitoring Report form (PMMD-15) to include needed information for both procurement tracking and contractor monitoring, thereby eliminating the Professional Services Procurement Processing and Reporting form (PMMD-8).

DPMM should also revise the contractor performance documentation portion of the PMMD-15 form by incorporating a scaled evaluation (i.e., 1-10; 1 = low, 10 = high) for each of the following performance criteria:

- responsiveness
- quality of work/deliverables
- timeliness of work/deliverables
- budget compliance

DPMM should emphasize the importance of providing written descriptions of problems encountered during the contract. DPMM should also promote the use of the centralized contractor performance data base by explaining the contents of the data base files to contract administrators and indicating how to access the files when evaluating prospective contractors.

- o DPMM Should Continue to Require Contract Administrators to Prepare and Issue Contract Monitoring Reports for Contract Renewal, Modification, Completion, and When Problems Arise

Responsibilities of contract administrators to issue Contract Monitoring Reports should be fully defined in the recommended contract administration manual described earlier in this section. These reports can alert the County to contract problems so that remedial action can be taken before more serious difficulties emerge. They also provide departmental staff with a basis for evaluating prospective contractors competing for future County contracts.

Currently, Contract Monitoring Reports are required for all contracts. To encourage the issuance of these reports, it is recommended that they be required only for contracts equal to or greater than \$3,000. Contracts below this amount represent a relatively small proportion of the County's total contract expenditures. Completing Contract Monitoring Reports for relatively small contracts places an unnecessary administrative burden on contract administrators.

- o DPMM Should Compile a List of Department-Specific Contract Administration Forms, Reports, and Data Bases

Contract administration forms used by one department may be applicable and useful in other departments. DPMM should collect such forms from each department, review them, and distribute useful examples to applicable departments. For example, the "Contract Monitoring Plan" form from the Department of Family Resources (shown in Exhibit III-2) could be useful to the Department of Addiction, Victim, and Mental Health. Consideration should also be given to including these forms in an appendix to the recommended contract administration manual.

### Qualifications of Contract Administrators

#### Background

This section addresses the qualifications of contract administrators in terms of their experience and training. It also reviews what the County has done to develop and maintain contract administrators' skills.

#### Findings

- o Contract Administrators have had Significant Department/Program Experience and Some Procurement-Related Experience

In each of the contracts reviewed during this study, the contract administrators appeared to be well-versed in the technical/program areas served by the contract. Most contract administrators have had some experience in the procurement process (e.g., development of scope of services, solicitation, selection) and elements of the contract administration process (e.g., processing contractual documentation).

- o There Are No Minimum Qualifications for County Contract Administrators

The County has not required that contract administrators have minimum level experience (either program or administrative) or training before undertaking contract administration responsibilities. As a result, most contract administrators have had to learn the contract administration process on the job. The County Procurement Regulations do not offer sufficient procedural information to guide new contract administrators.

- o Many Contract Administrators Have Other Major Program or Administrative Responsibilities that Compete for Their Time and Attention

Contract administrators often have other major program responsibilities, such as managing in-house technical or administrative personnel, reviewing and planning program progress, or interacting with community groups. These responsibilities compete for the time and attention of contract

administrators. Where program production responsibilities are viewed as having a higher priority than contract administration responsibilities, the adequacy and effectiveness of contract administration may be jeopardized.

o There Are No County Class Specifications for Contract Administrators

Although there are a number of County staff who are full-time department contract administrators, there is no County personnel class specification for contract administrators. These staff are often given the working title of contract administrator by their departments, and specific contract administration responsibilities may be listed in their position descriptions.

The County has only recently begun to reference general contract administration duties in several class specifications (Administrative Specialist series, Program Assistant series, and Program Manager). For example, the class specification for Administrative Specialist III states that the individual may exercise fiscal control of expenditures, review and authorize processing of all purchase requisitions, monitor and ensure fiscal accountability for contracts and/or grants, and authorize contract payments. Furthermore, the Department of Personnel is in the process of revising the County's Quantitative Evaluation System. The new system, QES II, which will be in effect by early fiscal year 1989, is expected to provide greater recognition of the duties of contract administrators and contract monitors. By recognizing these duties, QES II is expected to affect the evaluation of grade levels of specific classifications for employees who supervise outside contractors. Although these references indicate growing County recognition of the importance of the contract administration function, they do not adequately define the responsibilities of contract administrators nor the requirements for experience, education, or training.

o Contract Administrators Have Received Minimal or No Contract Administration Training from the County

DPMM and the County Attorney's Office offered a series of brief workshops to familiarize County personnel with the Procurement Regulations shortly after they were implemented in 1985. No other contract administration training has been offered by the County.

Most contract administrators who were interviewed exhibited a strong desire to receive from the County ongoing, comprehensive training in contract administration functions. The County has recently undertaken initial steps to provide training in this area: the Personnel Department is currently developing a training program for contract administrators, and a consultant has submitted a report on the structure and scope of a contract

administration training program. This program would be a positive step toward improving staff capabilities. Areas that would be addressed in the program include the following:

- contract administration process
- contract monitoring strategies and procedures
- assessing and correcting contractor performance
- documenting contract activities

#### Recommendations

o The County Should Establish Class Specifications for Contract Administrators

Contract administration is a critical and distinct function carried out by County personnel. Development of a separate class specification series for contract administrators would recognize this fact and clarify the vital duties carried out by contract administrators.

A separate class specification should indicate contract administrator duties in areas such as:

- processing contractual documentation
- reviewing and approving contractor invoices
- contract monitoring and reporting
- contract recordkeeping
- handling contract disputes, appeals, and termination

The specification should also indicate experience, education, and training requirements for contract administrators.

o County Should Follow Through on the Development and Implementation of an Ongoing Comprehensive Training Program for Contract Administrators

Building on the efforts of the Personnel Department, a training program for County contract administrators should be developed. It should be ongoing and comprehensive, addressing the following areas:

- contract administration process and procedures
- contract monitoring and reporting
- contract modification
- contract performance assessment and correction procedures
- file documentation and recordkeeping
- disputes, appeals, and terminations

Training should be mandatory and ongoing for all contract administrators.

Efficiency of Processing Contract Documentation and Contractor Invoices/  
Payments

Background

Two primary responsibilities of contract administrators are processing contract documentation and reviewing/approving contractor invoices. Contract documentation includes contract amendments, change orders, delivery orders, field orders, and administrative actions, each of which has unique requirements with which contract administrators must be familiar. Processing invoices in a timely fashion is important because it helps ensure that the many contractors serving the County receive prompt payment for their services. This is particularly important for small contractors who may otherwise suffer cash flow problems.

Findings

o Contract Administrators are Often Late in Submitting Contract Renewals to DPMM

The Contract Monitoring Report specifies that documentation for renewals must be submitted to DPMM 90 days before contract termination. This requirement appears excessive for contract renewals that do not involve changes in scope, budget, or schedule. Contract administrators often do not meet this deadline and, as a result, must rush DPMM and the County Attorney's Office to process the renewal. This occurs when contract administrators are either unfamiliar with the DPMM's submission requirements or are preoccupied with other responsibilities.

o In Selected Contracts, Field Orders Were Not Documented as Required by Regulation

The Procurement Regulations specify that all field orders must be submitted to the Department Head. The Department Head must transmit the field order and a justification memorandum to the DPMM within 30 days. In several instances, this memorandum and evidence that the field orders were transmitted to DPMM were missing.

o In Certain Departments, Field Orders are Viewed as a Means to Circumvent the Processing Time Typically Required for Contract Modifications

Some department contract administrators use field orders as a way to reduce the processing time which would otherwise be required for modifying a contract. This is an inappropriate use of field orders.

- o Contract Invoices Are Generally Approved for Payment by Departments in a Reasonable Amount of Time

In 70 percent of the contract files reviewed, contractor invoices were handled in a timely manner. Contract administrators typically reviewed and approved contractor invoices within 14 days of receipt. Slower processing typically occurred when there were errors or omissions in the invoices submitted by the contractor, or when contracts involved multiple departments, requiring multiple signatures for approval.

#### Recommendations

- o DPMM Should Develop a Streamlined Procedure for Processing Contract Renewals

Once the contract terms, scope, budget, and schedule for multiyear contracts have been reviewed and approved by the County, they need not be reviewed again during the renewal process. A streamlined approach should be taken which requires only those terms and conditions that are being modified be reviewed by DPMM, the County Attorney's Office, and the Contract Review Committee, or as otherwise required by the Procurement Regulations.

- o Field Orders Should be Promptly Documented and Restricted in Their Use

Department contract administrators should limit the use of field orders to occasions when field conditions require prompt adjustment to contract terms. When used, field orders should be promptly documented and submitted to DPMM with a justification memorandum. DPMM should track the use of field orders to ensure that they are not being misused.

#### Communications Among County Personnel Responsible for Contract Administration

##### Background

Effective communication among County personnel responsible for contract administration functions can significantly impact the timeliness and adequacy with which these functions are carried out. Given the decentralization of contract administration responsibilities in Montgomery County, it is particularly important to have open communication and close coordination between departmental contract administrators, DPMM, and the County Attorney's Office.

The following findings and recommendations result from our review of how these groups communicate with each other.

## Findings

- o Communications Between Contract Administrators and DPMM and the County Attorney's Office Need to be Improved

DPMM and the County Attorney's Office communicate with departmental contract administrators by distributing internal memoranda, giving verbal guidance, and by commenting on contract documentation. Contract administrators are required to submit Contract Monitoring Reports to DPMM to communicate contractor performance and notify DPMM of contract actions. These communication methods are not consistently used due to overcommitment of DPMM and County Attorney's Office staff, hesitancy on the part of contract administrators to contact them for assistance, and lack of understanding by contract administrators of the importance of submitting contract monitoring documentation.

- o Contract Administrators are Hesitant to Contact DPMM and the County Attorney's Office for Guidance

Contract administrators believe staff from DPMM and the County Attorney's Office are overextended and, as a result, are not as responsive as they should be. Therefore contract administrators hesitate to contact these offices unless they believe the issue to be serious.

## Recommendations

- o DPMM Should Organize Roundtable Meetings of Contract Administrators to Facilitate Discussion of Experiences, Insights, New Techniques, Concerns, and Problems Relating to Contract Administration

Contract administrators within each department have developed their own approaches to the contract administration process. Periodic meetings of contract administrators from various County departments and offices would facilitate exchange of ideas and methods of addressing contract administration issues.

These meetings could also provide DPMM with a forum for presenting changes in procurement and contract administration requirements and for offering advice on issues of concern to contract administrators.

- o DPMM and the County Attorney's Office Should Improve Their Ability to Provide Guidance as Needed to Contract Administrators

To enhance this capability, we recommend the establishment of a fully-staffed contract administration support section within DPMM. Such a section already exists in the County Attorney's Office which recently assigned a second Assistant County Attorney in the Finance Team to support contract administration

functions. This recommendation is described in detail in a subsequent section on the organization of contract administration functions.

o DPMM Should Develop and Issue a Periodic Information Newsletter for Contract Administrators

This newsletter could be issued by DPMM to contract administrators on a quarterly basis to communicate:

- changes/additions to County Procurement Regulations
- changes/refinements to procurement procedures
- changes/refinements to contract administration procedures
- examples of how to perform selected contract administration functions (e.g., contractor monitoring, contract documentation)
- changes/refinements to standard contract provisions/sections

Issuing a procurement/contract administration newsletter will place an additional burden on an already strained staff in DPMM. Therefore, implementation of this recommendation should be considered only if additional staff resources are provided to DPMM as described above and in a subsequent section on the organization of contract administration functions.

### Monitoring MFD Compliance and Enforcement

#### Background

The County has established goals for involving minority, female, or disabled (MFD) firms in the provision of contract services. This section reviews the monitoring and tracking that follows contract award to ensure that MFD involvement is consistent with the contract provisions.

#### Findings

o Contract Administrators Lack Guidance in Monitoring/Tracking MFD Contractor Participation in Contracts and Renewals

The County has not specified how contract administrators should monitor and document MFD participation in contracts. As a result, few contract administrators formally monitor and document the level of MFD involvement. Those who do monitor MFD involvement do so by periodically reviewing invoices from the prime contractor, by witnessing on-site MFD involvement, or by reviewing MFD participation reports from the prime contractor.

o MFD Coordinator Receives No Information of MFD Participation Following Contract Award

No Countywide report is generated that documents actual contract dollars paid to MFD contractors. Little information on MFD involvement is provided to the County's MFD Coordinator in DPMM after contract award.

## Recommendations

### o DPMM Should Develop MFD Participation Monitoring Procedures

DPMM should develop and issue standard procedures specifying contract administrator responsibilities for tracking and documenting the level of MFD participation in contracts, renewals, and modifications. As a minimum, the procedures should require that Contract Administrators document that MFD participation was at the level specified in the contract, and was performed by the MFD firm specified in the contract.

### o Prime Contractors Should Submit Reports on MFD Involvement

Contract administrators should require prime contractors to formally report on the level of involvement of their MFD subcontractors in their invoices and progress reports.

### o County's MFD Coordinator Should Receive Reports on MFD Participation

Contract Administrators should submit periodic reports to the County's MFD Coordinator on MFD participation in their contracts which include MFD involvement.

## Organization of Contract Administration Functions

### Background

How contract administration functions are organized within County government can significantly influence the consistency, responsiveness, and adequacy with which they are carried out. This can ultimately affect the cost and quality of contract goods and services provided to the County. The organization of contract administration functions can also affect the following:

- o lines of authority and the decisionmaking process relating to contract administration
- o level of centralized control over contract administration activities
- o definition of staff roles, responsibilities, and reporting relationships relating to contract administration
- o staffing levels required to carry out contract administration activities within DPMM and other County departments

Section II of this report describes the current organization of contract administration functions. Under the current organization, the primary responsibility of contract administration is delegated to the departments. Within the departments, there are a variety of approaches to organizing contract administration functions. Some departments have a centralized

contract administrator while others require individual program managers and other personnel to carry out contract administration functions. The organizational approach taken can affect the extent to which a department's program objectives outweigh the County's contract compliance objectives.

The findings presented below highlight the advantages and disadvantages of the current organization. The recommendations presented below include descriptions of alternative approaches to contract administration organization and a recommended alternative.

### Findings

o In Departments Where Contract Administration is Centralized Under One or More Full-Time Contract Administrators, There is a More Orderly, Consistent, and Thorough Approach Taken to Contract Administration

Four of the County's 37 departments and agencies maintain full-time contract administrators responsible for processing contractual documentation, overseeing the efforts of contract monitors and inspectors, communicating with contractors regarding contractual issues, and maintaining contract files. In these departments, contract monitoring functions, such as site inspections and report reviews, are performed by contract monitors or inspectors.

Under this organizational structure, a more orderly and thorough approach is taken to:

- contract recordkeeping/filing
- contractor monitoring
- developing/processing contract modifications
- interacting with DPMM, the County Attorney's Office, and the Contract Review Committee
- use of standardized forms

Full-time contract administrators can focus their efforts on contract administration activities and be held accountable for contract administration functions in their department or division. Such an organizational approach provides a proper balance between departmental program and contract compliance responsibilities.

o Dispersed Contract Administration Often Results in Less Adequate Performance of Contract Administration Functions

In departments where contract administration responsibilities are dispersed, important contract administration functions are often less effectively carried out, due to the emphasis on program objectives. In such departments, contract files are often less complete and poorly organized, contractor performance is often inadequately monitored and documented, and coordination with DPMM and the County Attorney's Office is often less consistent.

o DPMM Has No Support Section Established for Contract Administration

The organization of DPMM, as described in Section II of this report, is based on the two types of contracting carried out in the County: professional services contracting and other-than-professional services contracting. Because there is no contract administration support section in DPMM, contract administrators must solicit advice from DPMM staff who are primarily involved with procurement matters, and who may or may not have the time or knowledge to answer contract administration questions.

Without a centralized contract administration support group, there is a lack of focus on providing contract administration guidance in terms of procedures, useful standardized forms/reporting formats, filing procedures, or changes in procurement processes. As a result, contract administrators are largely on their own to interpret the procurement regulations and administer contracts, although already overextended staff from DPMM attempt to help when called upon. The result has been a general lack of consistency in carrying out contract administration functions.

Recommendations

o County Should Establish Centralized Contract Administrators Reporting to and Located in the Departments

To ensure that important contract administration functions are carried out in a proper, timely, and consistent manner, it is recommended that each department assign a centralized contract administrator at the department level or, where justified by the amount of contracting activity, at the division level. These individuals should be responsible for all contract administration activities within the department/division. In departments that do little contracting, this position may be part-time. Exhibit III-3 depicts this recommended organizational arrangement.

Under this approach, technical oversight and contractor monitoring responsibilities would be assigned to contract monitors who would in most cases report to program managers within the department.

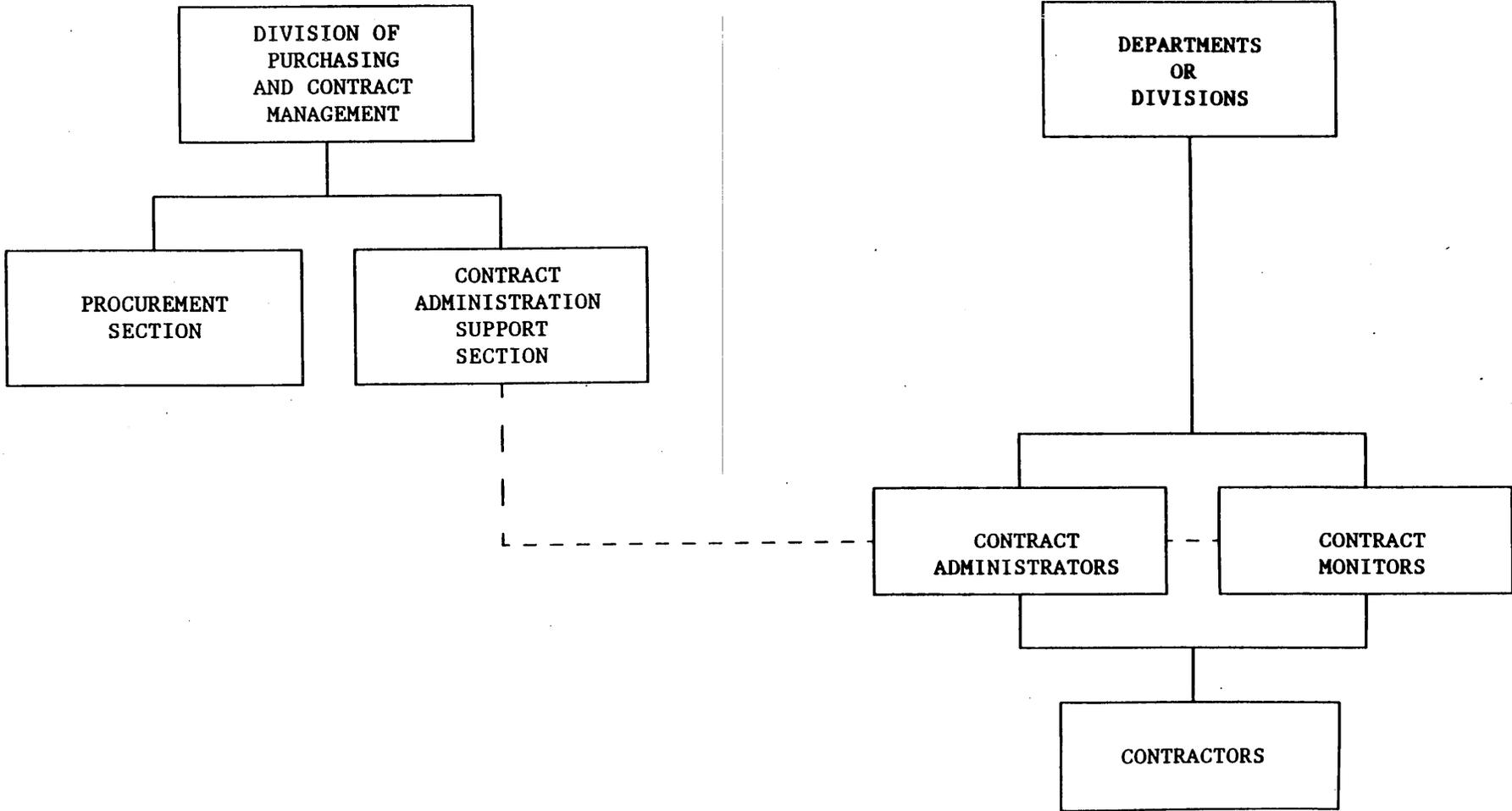
This arrangement would result in more centralized control within departments over contract administration functions to ensure their consistent performance and compliance with established requirements and regulations. Other strengths of this organizational arrangement include the following:

- The roles and responsibilities of contract administrators and contract monitors would be clarified and emphasized.

EXHIBIT III-3

CENTRALIZED CONTRACT ADMINISTRATORS  
REPORTING TO AND LOCATED IN DEPARTMENTS

III.30



- Departmental contract administrators would be more familiar with and responsive to the department's programs and needs than they would be if they were physically located outside the department and did not report to the department.
- Departmental contract administrators located within the departments would be better able to develop and apply contract administration practices and documentation specific to the programs served by their department or division.
- Centralized department contract administrators would focus and improve communications between the departments and DPMM, CRC, and the County Attorney's Office.

o Alternative Contract Administration Organizational Arrangements

During our analysis, we considered several other alternative approaches to organizing contract administration functions. One alternative considered centralizing contract administrators within DPMM. Under this alternative, contract administrators would report to and be physically located in DPMM. Exhibit III-4 depicts this alternative. This organizational alternative offers the highest level of control over contract administration and would most likely increase compliance with County contract administration procedures and regulations. However, the following disadvantages were identified and led to the decision not to recommend this alternative:

- Centralized contract administrators located in DPMM would be less familiar with department-specific programs and their requirements and would therefore be both less effective in dealing with contractors and less responsive in dealing with departmental program managers.
- Contract administrators not assigned to or located in the department could overemphasize the contract administration process, resulting in a slowing of contracting activities that could jeopardize program results.
- This alternative could result in less interaction between contract administrators and contract monitors. By physically locating contract administrators in DPMM, they would have less exposure to contract monitors and would be less available to oversee contract monitoring activities.
- This alternative would require major organizational and resource changes affecting all departments.
- This alternative would most likely be greeted with significant opposition by departments that would perceive this change as a reduction in their authority over contracted activities.

The other alternative approach considered was one in which contract administrators would report to DPMM, but be physically located in each department. This approach is depicted in Exhibit III-5. This approach would result in a high level of centralized control over contract administration functions. Because contract administrators would be physically located in the individual departments, they would continue to be exposed to

EXHIBIT III-4

CENTRALIZED CONTRACT ADMINISTRATORS REPORTING TO AND LOCATED IN DPMM

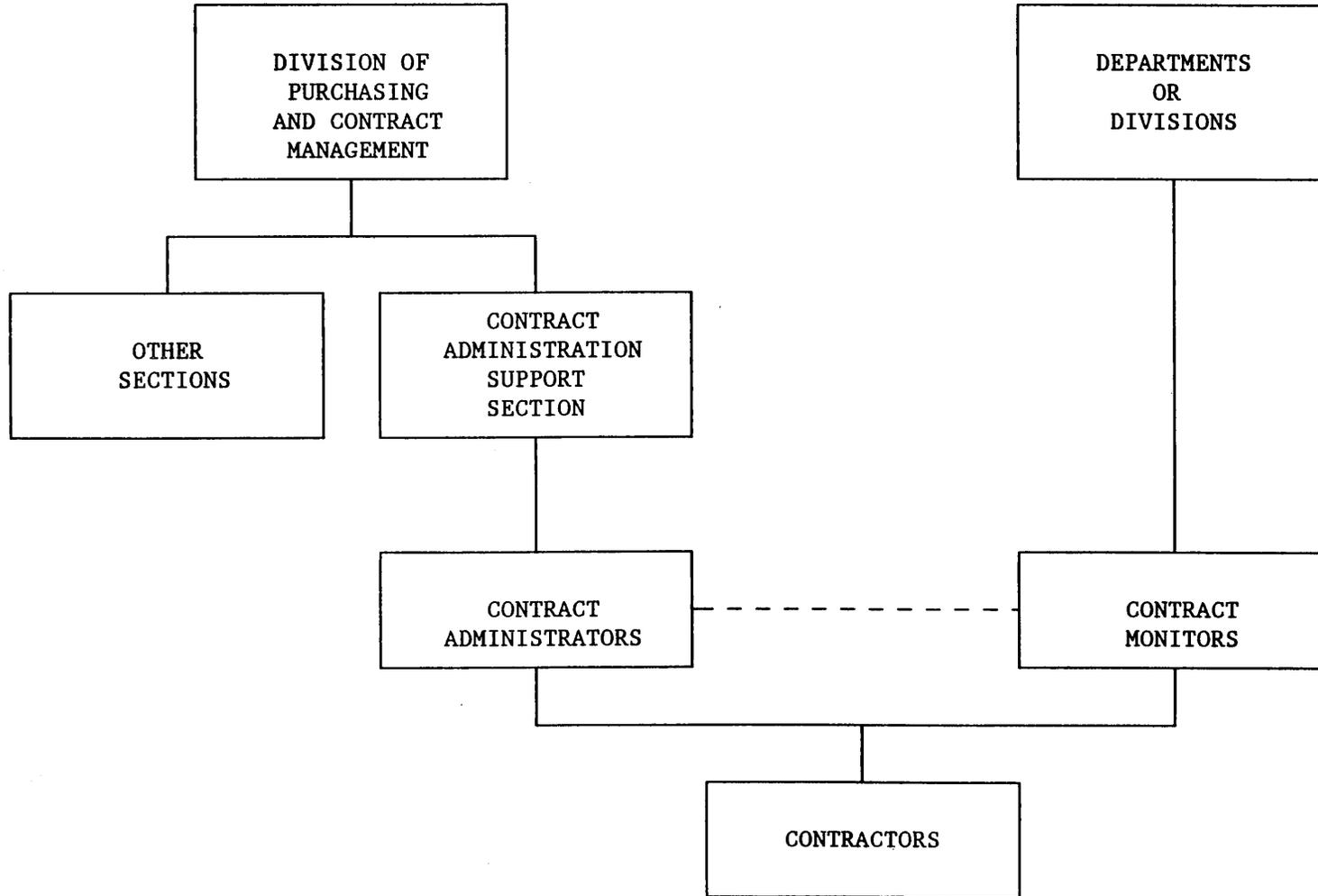
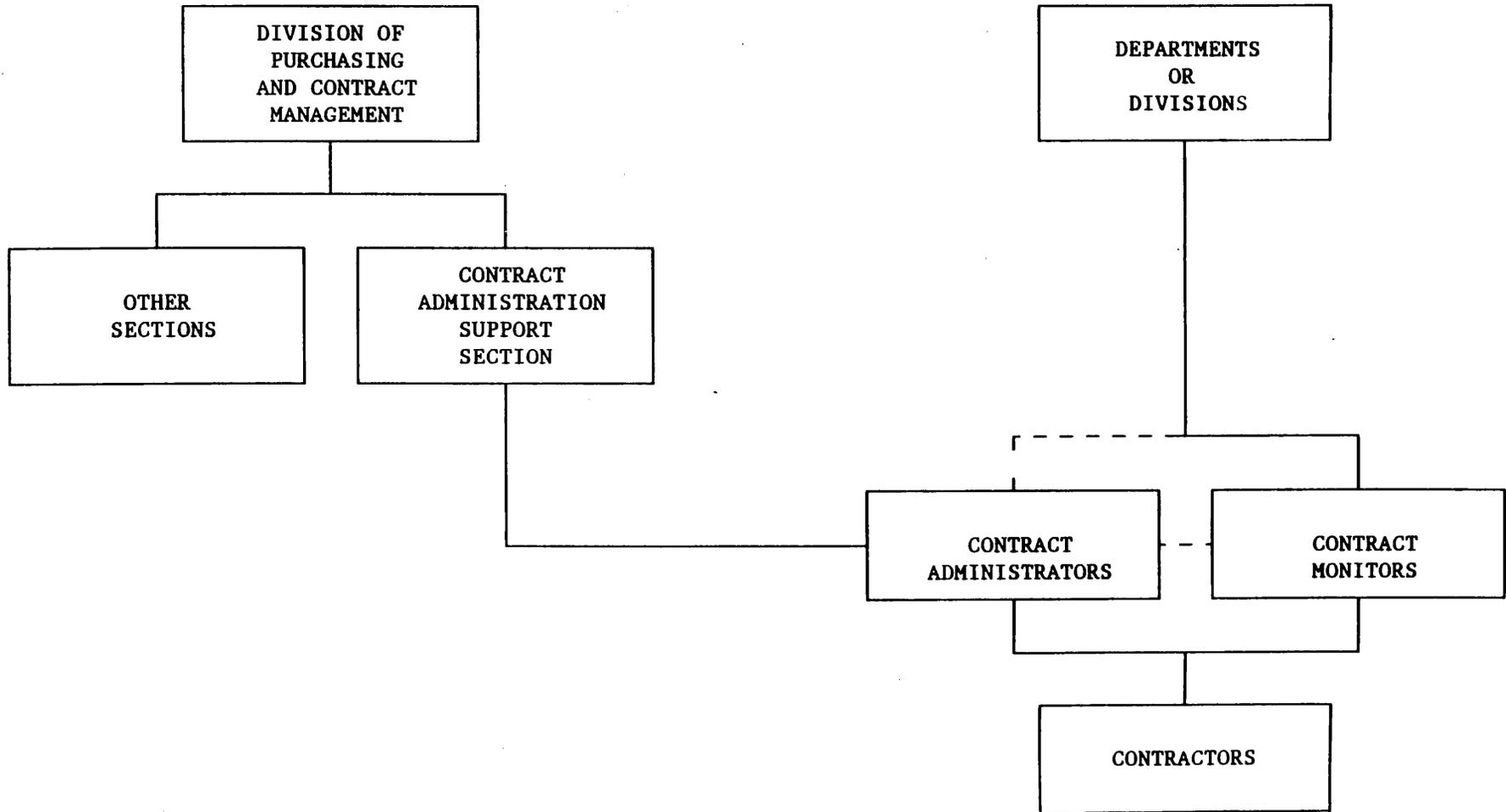


EXHIBIT III-5

CENTRALIZED CONTRACT ADMINISTRATORS REPORTING TO DPMM  
BUT LOCATED IN DEPARTMENTS

III.33



department programs and personnel. As a result, it is likely that they would be more effective and responsive to departmental needs than the alternative depicted in Exhibit III-4. However, the following disadvantages were identified that led to the decision not to recommend this alternative:

- Contract administrators assigned to DPMM and physically located in the departments could be viewed as outsiders by departments and, as a result, would be less effective.
- Contract administrators not assigned to the departments could overemphasize the contract administration process, resulting in a slowing of contracting activities that could jeopardize program results.
- It would be more difficult to attract candidates with experience in the program areas served by the departments since the position would report to DPMM.
- This alternative would require major organizational and resource changes affecting all departments.
- It is likely that many departments would be opposed to this alternative because they would view it as a reduction in their authority over program areas they now serve.

o County Should Establish a Contract Administration Support Section in DPMM

To ensure that contract administrators are given the guidance and support necessary to carry out their duties, it is recommended that DPMM establish a separate contract administration support section. This would enable the County to increase the emphasis placed on contract administration, provide additional staff resources necessary to support departmental contract administrators, and help to ensure more proper, timely, and consistent performance of contract administration functions.

Specific responsibilities of the Contract Administration Support Section would include the following:

- promulgate and/or issue County contract administration procedures and guidelines; distribute changes to procurement regulations and CRC interpretive bulletins
- provide guidance and assistance to department contract administrators
- review efforts of departmental contract administrators to ensure compliance with contract administration procedures
- conduct training workshops on contract administration practices, regulations, and forms
- issue a periodic procurement/contract administration newsletter (described in the section on communication)

We estimate that four to six staff members will be required to carry out these responsibilities.

### NATURE OF MAJOR CONTRACT PROBLEMS REVIEWED

Our 50-contract sample is not intended to be a statistically valid representation of Montgomery County's total contracting activity. However, the results of our contract file review, summarized in Appendix D, provides insight into the extent and nature of problems involving County contracts.

Our review of 54 contract files revealed few problems involving contractor performance. In most cases, service quality and timeliness were acceptable. As revealed in Appendix D, only four of the contract files reviewed resulted in problems with the deliverables. However, the lack of timeliness in nine of the contracts and absence of interim documentation in six of the contracts (representing one-third of the contracts requiring such documentation) reflects the weakness in interim contract monitoring noted earlier. In several of these cases, the responsible contract administrators have implemented improved procedures or contract provisions to prevent a repeat of these problems.

These results suggest that those problems identified during our review reflect isolated instances more than systematic deficiencies. Overall, the adequacy of contractor performance indicated by our review is a tribute to the efforts of County contract administrators who are working with little procedural guidance, training, or recognition. Recommendations contained in this report which deal with the development of contract administration procedures, training, classification, and organization are intended to better enable contract administrators to prevent contract problems before they occur and to recognize and effectively deal with contract problems when they do arise.



#### IV. CONCLUSIONS AND IMPLEMENTATION PLAN

This section presents the conclusions resulting from our review of contract administration within Montgomery County and a plan for implementing actions recommended in Section III for improving the performance of this function.

##### CONCLUSIONS

Our review of contract administration functions within Montgomery County revealed that contracting out for goods and services is a major activity of County government, amounting to over \$137 million in fiscal year 1987. Thirty-seven County departments and agencies contract out for goods and services; however, 4 departments represent over 80 percent of the total activity.

While the County has decentralized the responsibility for contract administration among its various departments and agencies, it has not provided adequate support to or oversight of departmental contract administrators in terms of:

- o standardized contract administration procedures that reflect minimum County requirements
- o technical support in the form of a central contract administration support unit, which can also provide an oversight role to ensure compliance with County contract administration regulations and procedures
- o comprehensive and ongoing training focused on the full range of contract administration responsibilities
- o separate class specifications for contract administrators, which recognizes the unique and important functions they perform

As a result, departmental contract administrators lack the guidance needed to ensure the consistent and adequate performance of their responsibilities. This leaves the County vulnerable to receiving inferior goods or inadequate and untimely services from its contractors. With over \$137 million in annual contracting activity, this can result in significant additional costs to the County and/or highly visible service problems.

With the rapid growth in contracting by Montgomery County over the past three years, many departmental contract administrators have limited experience in performing contract administration functions. As a result, they often fail to understand how to properly monitor and document contractor performance and are unsure of what to do when a contractor problem arises.

The recommendations contained in this report are intended to provide proper support, guidance, and recognition to departmental contract administrators to ensure consistent and adequate performance of their responsibilities. To this end, we recommend that contract administration responsibilities continue to be decentralized at the departmental level because of the

importance of having contract administrators understand the nature and requirements of those programs associated with services being contracted out. However, these responsibilities should be focused on a limited number of staff in each department, preferably on a full-time basis where justified by the work load. This will provide an appropriate balance between the competing objectives associated with departmental program and contract compliance responsibilities.

Departmental contract administrators should be designated as a separate class specification series and be provided standard procedures and ongoing training to guide their performance of contract administration responsibilities.

Within DPMM, a separate section should be established to support and oversee departmental contract administration functions, develop standard contract administration procedures and forms, and conduct contract administration training. Such a staff support group is necessary to ensure that decentralized functions are carried out and are consistent with County policies, regulations, and procedures.

#### IMPLEMENTATION PLAN

The recommendations described above and augmented by other recommendations contained in Section III represent the actions required to ensure proper and timely administration of County contracts. Exhibit IV-1 presents our proposed plan for implementing these recommendations. This exhibit describes the following for each recommended action:

- o responsible department, division, or office
- o relative priority (on a scale of 1 to 3, with 1 being the most important)
- o time frame to implement the action
- o resources required to accomplish the action (including both current and additional staff within DPMM and other offices in terms of person years)

As Exhibit IV-1 illustrates, most of the recommended actions can be accomplished within a two-year time frame, with some recommendations being implemented on an ongoing basis. The resources required to implement these recommended actions can be partially provided by existing DPMM staff. However, additional staff resources in DPMM and certain departments will be required to fully implement all of the actions. It should be noted that an in-depth analysis of staff resources in each department and DPMM was not within the scope of this study. The recommended changes to the current organization of contract administration functions in County departments/offices are presented in Exhibit IV-2.

Implementation of the recommended actions will require the full support and commitment of the County Council, County Executive's Office, DPMM, and department managers and staff. By designating a contract administration support section within DPMM and centralized contract administrators within

EXHIBIT IV-1  
IMPLEMENTATION PLAN

RECOMMENDED ACTION	DEPARTMENT/DIVISION/OFFICE	PRIORITY	TIME FRAME	RESOURCE IMPLICATIONS
<u>Laws, Regulations, Procedures, Guidelines</u>				
o Complete reserved sections of Procurement Regulations for grants, construction contracts, and termination	DPMM	1	1 year	1.0 PY
o Establish requirement for "due diligence" clause in contracts as part of either Procurement Regulations or Proposed General Conditions	DPMM, OCA	1	6 months	--
o Develop contract administration procedures and distribute as part of a contract administration manual to all contract administrators	DPMM	1	9 months	1.5 PY
<u>Contract Provisions</u>				
o Include status reporting requirements in contracts	DPMM, OCA	1	ongoing	--
<u>Contract File Documentation/Organization</u>				
o Develop minimum requirements for contract file formats and contents	DPMM	2	1 year	.3 PY
o Periodically review sample of contract files	DPMM	3	ongoing	.2 PY

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DPMM - Division of Purchasing and Materiel Management  
OCA - Office of County Attorney  
PY - Person Years

EXHIBIT IV-1 (Continued)

IMPLEMENTATION PLAN

RECOMMENDED ACTION	DEPARTMENT/DIVISION/OFFICE	PRIORITY	TIME FRAME	RESOURCE IMPLICATIONS
<u>Forms and Data Bases</u>				
o Consolidate contract reporting requirements and revise Contract Monitoring Report (CMR)	DPMM	1	2 months	.1 PY
o Establish threshold under which CMR is not required	DPMM	1	2 months	.1 PY
o Compile/distribute list of department-specific contract reporting forms, reports, and data bases	DPMM	2	6 months	.2 PY
<u>Qualifications of Contract Administrators</u>				
o Establish class specifications for contract administrators	Personnel	2	1 - 1.5 years	.1 PY
o Develop/implement ongoing contract administration training program	DPMM, OCA Personnel	1	ongoing	Unknown - Consultant or In-house Training Resources needed
<u>Processing Contract Documentation and Contractor Invoices/Payments</u>				
o Develop a streamlined procedure for processing contract renewals	DPMM, CRC	2	6 months	.1 PY
o Promptly document field orders and restrict their use	Departments, DPMM	2	ongoing	--

DPMM - Division of Purchasing and Materiel Management  
OCA - Office of County Attorney  
CRC - Contract Review Committee  
PY - Person Years

EXHIBIT IV-1 (Continued)

IMPLEMENTATION PLAN

RECOMMENDED ACTION	RESPONSIBLE DEPARTMENT/DIVISION/OFFICE	PRIORITY	TIME FRAME	RESOURCE IMPLICATIONS
<u>Communications Among Contract Administration Personnel</u>				
o Organize meetings/workshops for contract administrators	DPMM, OCA Departments	2	ongoing	.1 PY
o Develop periodic newsletter for contract administrators	DPMM, Departments	2	1 - 1.5 years/ ongoing	.3 PY
<u>Monitoring MFD Compliance and Enforcement</u>				
o Increase tracking of MFD participation	DPMM, Departments	2	ongoing	.3 PY
. MFD participation reporting procedures				
. Annual report on MFD involvement				
. Increase reporting from prime contractors				
<u>Organization of Contract Administration Functions</u>				
o Establish centralized contract administrators within departments	DPMM, Departments	1	1 year	Unknown - Department assessment required
o Establish contract administration support section within DPMM	DPMM, OMB	1	1 year	4 - 6 PY

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DPMM - Division of Purchasing and Materiel Management  
OCA - Office of County Attorney  
OMB - Office of Management and Budget  
PY - Person Years

EXHIBIT IV-2  
SUMMARY OF CURRENT AND RECOMMENDED  
ORGANIZATION OF CONTRACT ADMINISTRATION

DEPARTMENT/OFFICE/AGENCY	NUMBER OF STAFF RESPONSIBLE FOR ADMINISTERING CONTRACTS	CURRENT DEPARTMENT ORGANIZATION		RECOMMENDED ORGANIZATION CHANGES *
		TIME ALLOCATION	ROLE	
ADDICTION, VICTIM, MENTAL HEALTH	1	FULL-TIME	CA	-
ANIMAL CONTROL	1	PART-TIME	CA	-
BOARD OF APPEALS	1	PART-TIME	CA	-
BOARD OF SUPERVISORS OF ELECTIONS	1	PART-TIME	CA/CM	PART-TIME CA
CHIEF ADMINISTRATIVE OFFICER	3	PART-TIME	CA/CM	PART-TIME CA
CIRCUIT COURT	1	PART-TIME	CA/CM	PART-TIME CA
COMMISSION FOR WOMEN	1	PART-TIME	CA	-
COMMUNITY USE OF EDUCATIONAL FACILITIES	3	PART-TIME	CA/CM	PART-TIME CA
CONSUMER AFFAIRS	1	PART-TIME	CA	-
CORRECTION AND REHABILITATION	1, 2	PART-TIME	CA, CA/CM	FULL-TIME CA
COUNTY ATTORNEY	4	PART-TIME	CA/CM	PART-TIME CA
COUNTY COUNCIL	1	PART-TIME	CA	PART-TIME CA
COUNTY EXECUTIVE	4	PART-TIME	CA/CM	PART-TIME CA
ECONOMIC DEVELOPMENT	1	PART-TIME	CA	-
ENVIRONMENTAL PROTECTION	8	PART-TIME	CA/CM	FULL-TIME CA
FACILITIES AND SERVICES	1	FULL-TIME	CA	-
FAMILY RESOURCES	1	FULL-TIME	CA	-
FINANCE	-	-	-	-
PURCHASING AND MATERIEL MANAGEMENT**	6	PART-TIME	CA	-
OTHER FINANCE DIVISIONS	12	PART-TIME	CA/CM	PART-TIME CA
FIRE AND RESCUE COMMISSION	1	PART-TIME	CA	-
FIRE AND RESCUE SERVICES	30	PART-TIME	CA/CM	PART-TIME CA
HEALTH	1	PART-TIME	CA	FULL-TIME CA
HOUSING AND COMMUNITY DEVELOPMENT	13	PART-TIME	CA/CM	FULL-TIME CA
HUMAN RELATIONS	2	PART-TIME	CA/CM	PART-TIME CA
LEGISLATIVE OVERSIGHT	2	PART-TIME	CA/CM	PART-TIME CA
LIBRARY	1	PART-TIME	CA	FULL-TIME CA
LIQUOR CONTROL	2	PART-TIME	CA/CM	PART-TIME CA
MANAGEMENT AND BUDGET	1	PART-TIME	CA	FULL-TIME CA
PERSONNEL	6	PART-TIME	CA/CM	FULL-TIME CA
POLICE	5	PART-TIME	CA/CM	PART-TIME CA
PUBLIC ADVOCATE	1	PART-TIME	CA	-
PUBLIC INFORMATION	3	PART-TIME	CA/CM	PART-TIME CA
RECREATION	1, 7	PART-TIME	CA, CA/CM	FULL-TIME CA
SHERIFF	1	PART-TIME	CA	-
SOCIAL SERVICES	1	PART-TIME	CA	FULL-TIME CA
SOIL CONSERVATION	1	PART-TIME	CA	-
TRANSPORTATION	-	-	-	-
EQUIPMENT MANAGEMENT	1	FULL-TIME	CA	-
OPERATIONS	1	FULL-TIME	CA	-
PARKING	5	PART-TIME	CA/CM	PART-TIME CA
PLANNING AND PROJECT DEVELOPMENT	6	PART-TIME	CA/CM	PART-TIME CA
TRAFFIC ENGINEERING	1	PART-TIME	CA	-
TRANSIT	1	PART-TIME	CA	-
TRANSPORTATION ENGINEERING	14	FULL-TIME	CA	-
ZONING AND ADMINISTRATIVE HEARINGS	1	PART-TIME	CA/CM	PART-TIME CA

CA = CONTRACT ADMINISTRATION - RESPONSIBLE FOR MANAGING CONTRACT ADMINISTRATION RESPONSIBILITIES AND OVERSEEING CONTRACT MONITORING ACTIVITIES AT DEPARTMENT OR DIVISION LEVEL.  
CA/CM = CONTRACT ADMINISTRATOR/CONTRACT MONITOR - RESPONSIBLE FOR MANAGING CONTRACT ADMINISTRATION RESPONSIBILITIES AND PERFORMING CONTRACT MONITORING ACTIVITIES REGARDING SPECIFIC CONTRACTS.

\* RECOMMENDED ORGANIZATION CHANGE IMPLIES EITHER REASSIGNING RESPONSIBILITIES TO EXISTING DEPARTMENTAL PERSONNEL OR AN INCREMENTAL ADDITION OF PERSONNEL.  
DETERMINATION OF THESE RECOMMENDED CHANGES REQUIRES FURTHER DEPARTMENTAL REVIEW.

\*\* THESE CONTRACT ACTIONS ARE FOR MULTI-DEPARTMENTAL CONTRACTS.

the departments, the County can begin to establish an effective and efficient contract administration program. Such a program will increase the consistency and accountability of contract administration functions and will better enable the County to ensure that contract goods and services are provided in a timely and adequate manner.



APPENDIX A  
INTERVIEW PARTICIPANTS



## INTERVIEW PARTICIPANTS

### SENIOR OFFICIALS

#### COUNTY COUNCIL

- Bruce Adams
- William Hanna
- Ike Leggett
- Mike Subin

#### OFFICE OF THE COUNTY EXECUTIVE

- Lewis Roberts - Chief Administrative Officer

#### OFFICE OF THE COUNTY ATTORNEY

- Rocky Sorrell - County Attorney

##### Finance Team

- David Frankel - Assistant County Attorney

### CONTRACT ADMINISTRATION

#### CONTRACT REVIEW COMMITTEE

##### Chairman

- Alistair McArthur - Assistant Chief Administrative Officer

##### Members

- John Battan - Chief of Purchasing and Materiel Management
- Mark Hansen - Associate County Attorney (Finance Team)
- Pete Hutchinson - Office of Management and Budget

#### FINANCE DEPARTMENT

##### Division of Purchasing and Materiel Management

- Virginia Baxter - Contract Coordinator, Professional Services Contracts
- Shannon Braddock - Contract Coordinator
- Frank Carpenter - Minority Business Contract Specialist
- Willard Walton - Chief of Procurement, Other-than-Professional Services Contracts

#### PERSONNEL OFFICE

- Dennis Mislner - Manager, Organization Development and Training (Contract Administration Training Program)

## INTERVIEW PARTICIPANTS

### CONTRACT ADMINISTRATORS

#### ADDICTION, VICTIM, AND MENTAL HEALTH

- David Celeste - Management and Budget Specialist (Contract Administrator)
- Don Courtney - Administrative Services Coordinator

#### CORRECTION AND REHABILITATION

- Claire Gunster-Kirby - Administrative Assistant II
- Kent Mason - Director, Pre-Release Center
- Mike Schweitzer - Program Manager, Detention Center

#### ECONOMIC DEVELOPMENT

- Duc Duong - Chief, Division of Business and Industrial Development
- James Kurtz - Senior Management Specialist
- Kathleen Mitchel - Planning Coordinator, Strategic Planning Division

#### DEPARTMENT OF ENVIRONMENTAL PROTECTION

- Lenus Barnes - Chief, Refuse Regulation and Collection
- Jim Caldwell - Senior Environmental Planner, Planning and Monitoring Division
- Michael Helfrich - Engineer III, Planning and Monitoring Division
- Robert Willson - Environmental Protection Manager, Solid Waste Management Division

#### FACILITIES AND SERVICES

- Karl Hollander - Program Assistant II, Art in Public Facilities Section
- Edward Mandley - Superintendent, Maintenance Control Section
- Henry Preisendorfer - Architect, Office of Architectural Services
- Janet Quickel - Public Administration Intern (Contract Administrator) Director's Office
- George Murray Tuel - Director, Office of Architectural Services
- Judith Whelan - Program Assistant, Office of Architectural Services

#### FAMILY RESOURCES

- Sean Davis - Director, Management Services
- Ruth Smith - Administrative Assistant III (Contract Administrator), Management Services

#### FINANCE

- Michael Thomas - Buyer II, Division of Purchasing and Materiel Management

#### FIRE AND RESCUE SERVICES

- Captain Lowell Jackson - Captain, Assistant Fire Marshall, Fire Prevention Division
- Richard Riffe - Planning and Program Development Coordinator

## INTERVIEW PARTICIPANTS

### CONTRACT ADMINISTRATORS

#### HEALTH

- Dr. Phillip Eisenberg - Public Health Dentist
- Jay Josephs - Administrative Services Coordinator

#### HOUSING AND COMMUNITY DEVELOPMENT

- Roberta Hahn - Executive Director, Historic Preservation Commission
- Eric Larsen - Moderately Priced Housing Coordinator, Housing Division
- Frederick Wilcox - Administrative Services Coordinator

#### LIBRARY

- Mark Wulff - Business Manager, Office of the Director

#### LIQUOR CONTROL

- Emerson Moreland - Chief, Warehouse Operations
- Bill Williams - Controller , Director's Office

#### PERSONNEL OFFICE

- Patrick Conroy - Senior Personnel Specialist, Division of Classification and Compensation
- Dennis Mislner - Manager, Organization Development and Training, Division of Labor/Employee Relations and Training

#### POLICE

- Elbert Riley - Program Development and Evaluation Officer/Deputy Director, Management and Budget Division

#### PUBLIC INFORMATION

- Verna Dickerson - Program Assistant II/Coordinator, Information and Referral Office

#### RECREATION

- Virginia Nuttal - Administrative Services Coordinator
- Linda Yost - Director, Arts Section

#### SOCIAL SERVICES

- Doris Howard - Administrator, Home Care Services
- Bettie Sutphin - Program Assistant, Office of the Director

## INTERVIEW PARTICIPANTS

### CONTRACT ADMINISTRATORS

#### TRANSPORTATION

- Keith Compton - Area Engineer, Division of Transportation Engineering
- Jim Ellis - Chief, Design and Construction Section, Division of Transportation Engineering
- John Harris - Capital Projects Coordinator, Contracts Section, Division of Transportation Engineering
- Genevieve Leary - Senior Management Specialist, Transit Services
- Robert Merryman - Chief, Division of Transportation Engineering
- Thomas Orr - Engineer III, Operations Division
- W. Scott Wainwright - Assistant Chief, Division of Traffic Engineering

APPENDIX B

LIST OF CONTRACTS REVIEWED



MONTGOMERY COUNTY OLO  
 CONTRACT ADMINISTRATION STUDY  
 LIST OF CONTRACTS REVIEWED

CONTRACT ID	CONTRACT NUMBER	YEAR	CONTRACT TYPE	CONTRACT CATEGORY	CONTRACT ACTION	MFD CODE	CONTRACT AMOUNT	DEPARTMENT/OFFICE
1	75725	1987	P	P	N	6	\$7,500	ADDICTION, VICTIM & MENTAL HEALTH (CLINICIAN & EDUCATIONAL SERVICES)
2	75200	1987	P	O	N	3	\$9,750	CORRECTION AND REHABILITATION (PSYCHOLOGICAL CONSULTING & SCREENING)
3	75305	1987	P	R	N	1	\$10,000	ECONOMIC DEVELOPMENT (BUSINESS INCUBATOR PROGRAM)
4	65943	1987	P	R	N	1	\$340,000	ENVIRONMENTAL PROTECTION
				R	N	6	\$51,000	(LABORATORY ANALYTIC SERVICES)
5	65996	1987	P	R	N	1	\$300,000	FACILITIES AND SERVICES
				R	N	2	\$5,000	(ASBESTOS SURVEY)
				R	N	2	\$20,000	
6	65667	1987	P	R	N	7	\$30,000	FACILITIES AND SERVICES
				R	M	7	\$25,000	(ROOFING CONSULTANT)
7	65760	1987	P	P	N	1	\$3,500	FACILITIES AND SERVICES
				P	M	1	\$2,454	(COMPREHENSIVE A/E SERVICES)
				P	M	1	\$95,577	
				P	M	1	\$4,126	
8	75157	1987	P	6	N	1	\$40,500	FAMILY RESOURCES (GYPSY MOTH PROGRAM)
9	65183	1987	P	S	M	7	\$49,823	FAMILY RESOURCES
				S	M	7	\$67,315	(CENTERS FOR THE HANDICAPPED)
10	65094	1987	P	R	M	1	\$20,700	HEALTH (DENTAL CLINIC SERVICES)
11	75180	1987	P	P	N	6	\$7,500	HEALTH
				P	M	6	\$3,000	ADDICTION, VICTIM & MENTAL HEALTH (SUPPORT SERVICES FOR VICTIMS OF PHYSICAL ABUSE)
12	75697	1987	P	S	M	1	\$28,000	HOUSING AND COMMUNITY DEVELOPMENT
				SC	N	1	\$24,200	(RESEARCH PROJECT)
13	65797	1987	P	R	N	1	\$21,500	PERSONNEL (CLASSIFICATION STUDY)
14	66145	1987	P	P	N	1	\$3,000	PERSONNEL (MEDIATION TRAINING)
15	75079	1987	P	S	N	1	\$4,800	RECREATION (SERVICES FOR CAMP UNICORN)

MONTGOMERY COUNTY OLO  
 CONTRACT ADMINISTRATION STUDY  
 LIST OF CONTRACTS REVIEWED

CONTRACT ID	CONTRACT NUMBER	YEAR	CONTRACT TYPE	CONTRACT CATEGORY	CONTRACT ACTION	MFD CODE	CONTRACT AMOUNT	DEPARTMENT/OFFICE
16	75336	1987	P	P	N	1	\$3,075	RECREATION (MICHAEL FRITH)
17	66062	1987	P	R	N	6	\$204,000	SOCIAL SERVICES
				R	M	6	(\$27,600)	(HOME HEALTH AIDE SERVICES)
				R	N	1	\$236,000	
				R	M	1	(\$36,000)	
				R	N	2	\$10,000	
				R	M	2	\$9,800	
18	66139	1987	P	R	N	3	\$58,657	TRANSPORTATION
				R	N	1	\$250,039	(WOODMONT AVE. EXTENDED)
				R	M	1	\$3,350	
19	66086	1987	P	R	N	1	\$91,536	TRANSPORTATION
				R	N	2	\$20,250	(ACCIDENT LOCATION ANALYSIS)
20	60029	1987	R	F	M	1	\$504,800	ENVIRONMENTAL PROTECTION (REFUSE COLLECTION)
21	17007	1987	R	O	N	1	\$5,072	ENVIRONMENTAL PROTECTION (TIRES)
22	16946	1987	R	O	N	1	\$15,000	FACILITIES AND SERVICES (LABOR & MATERIAL FOR ELECTRICAL WORK)
23	15792	1987	R	O	N	3	\$5,768	FAMILY RESOURCES (EXTERIOR CONCRETE MODIFICATION)
24	70062	1987	R	F	N	1	\$6,828	FIRE AND RESCUE SERVICES
				F	D	1	\$6,828	(SMOKE DETECTORS)
				F	D	1	\$6,828	
25	60066	1987	R	F	D	1	\$12,540	HEALTH
				F	M	1	(\$12,540)	(X-RAY FILM AND ENVELOPES)
				F	R	1	\$12,540	
				F	A	1	\$3,500	
				F	D	1	\$10,000	
				F	D	1	\$5,000	
26	60329	1987	R	F	M	1	\$17,300	HOUSING AND COMMUNITY DEVELOPMENT
				F	M	1	\$7,509	(PLEASANT VIEW SCHOOL CONVERSION)
				F	N	1	\$187,450	
27	19141	1987	R	S	N	1	\$10,000	LIBRARY (BOOKS)
28	60233	1987	R	F	D	1	\$580,000	LIQUOR CONTROL
				F	M	1	(\$300,000)	(NIGHT LOADING OF DELIVERY TRUCKS)
				F	N	7	\$608,500	

MONTGOMERY COUNTY OLO  
 CONTRACT ADMINISTRATION STUDY  
 LIST OF CONTRACTS REVIEWED

CONTRACT ID	CONTRACT NUMBER	YEAR	CONTRACT TYPE	CONTRACT CATEGORY	CONTRACT ACTION	MFD CODE	CONTRACT AMOUNT	DEPARTMENT/OFFICE
				F	M	7	\$475,000	
29	70097	1987	R	F	N	1	\$21,726	MULTIPLE DEPARTMENTS (DPMM)
				F	D	1	\$1,379	TRANSPORTATION
				F	D	1	\$10,000	(PRINT BUSINESS CARDS)
30	15665	1987	R	S3	D	1	\$24,500	POLICE (MATCHER CONTROLLER)
31	17431	1987	R	O	N	1	\$5,868	POLICE (RADAR UNITS)
32	19761	1987	R	O	N	1	\$4,898	PUBLIC INFORMATION (PRINTING GUIDE)
33	60158	1987	R	F	D	1	\$4,000	RECREATION
				F	D	1	\$4,000	(PRINTING SERVICES)
				O	M	1	\$2,000	
				F	R	1	\$13,000	
34	60187	1987	R	F	R	1	\$500,000	TRANSPORTATION (TRAFFIC SIGN/MARKING MATERIALS)
35	60341	1987	R	F	M	1	\$206,600	TRANSPORTATION
				F	N	1	\$2,131,369	(WOODMONT AVE. EXTENDED)
				F	N	2	\$118,700	
				F	N	6	\$20,090	
36	75703	1987	O	P	N	1	\$9,500	ADDICTION, VICTIM & MENTAL HEALTH (DRUG SCREENING PROGRAM)
37	18279	1987	O	O	N	1	\$4,000	ENVIRONMENTAL PROTECTION (FRONT END LOADER RENTAL)
38	17300	1987	O	O	N	1	\$20,400	ENVIRONMENTAL PROTECTION (BULLDOZER RENTAL)
39	18215	1987	O	O	N	1	\$29,080	FACILITIES AND SERVICES (GENERATOR REPAIR)
40	76173	1987	O	P	N	1	\$4,000	LIBRARY (LEGAL SERVICES)
41	75082	1988	P	R	N	3	\$17,200	ECONOMIC (ECONOMIC MODEL OF MONTGOMERY CO.)
42	76234	1988	P	P	N	1	\$40,000	FACILITIES AND SERVICES (GRANITE FOUNTAIN)

MONTGOMERY COUNTY OLO  
 CONTRACT ADMINISTRATION STUDY  
 LIST OF CONTRACTS REVIEWED

CONTRACT ID	CONTRACT NUMBER	YEAR	CONTRACT TYPE	CONTRACT CATEGORY	CONTRACT ACTION	MFD CODE	CONTRACT AMOUNT	DEPARTMENT/OFFICE
43	75601	1988	P	S	R	7	\$106,033	FAMILY RESOURCES (TRANSITION PROGRAM SCHOOL)
44	85382	1988	P	P	N	6	\$9,800	SOCIAL SERVICES (ACCOUNTS PAYABLE SYSTEM)
45	70093	1988	R	F	D	1	\$19,000	CORRECTION AND REHABILITATION) (INMATE CLOTHING)
				F	D	1	\$7,000	
				F	R	1	\$11,195	
46	70238	1988	R	F	A	1	\$458,460	ENVIRONMENTAL PROTECTION (Cabin Branch Site II Construction)
				F	N	1	\$458,460	
				F	N	6	\$24,525	
				F	N	6	\$44,592	
47	80712	1988	R	O	N	1	\$5,970	FINANCE (MINI-MEMO PADS)
48	70031	1988	R	F	A	1	\$24,800	TRANSPORTATION (CURB AND SIDEWALK REPLACEMENT)
				F	A	1	\$425,000	
				F	R	1	\$425,000	
49	80575	1988	O	O	N	1	\$10,519	FIRE AND RESCUE (SEWER SERVICE CONNECTION)
50	80618	1988	O	S	N	1	\$1,546	POLICE (ANTENNAS)

CONTRACT CODES

o CONTRACT TYPE

- P - Professional Services
- R - Other Than Professional Services
- O - Other (Emergencies)

o CONTRACT ACTION

- N - Contract/Purchase Orders
- M - Contract Modifications
- A - Administrative Changes
- R - Renewals
- D - Delivery Orders

o CONTRACT CATEGORY

- R - Professional Service FORMAL RFP/REOI (\$10,000+over)
- F - Other FORMAL IFB (\$7,000+over)
- P - Professional Service INFORMAL
- O - Other INFORMAL
- S - Sole Source (\$3,000+over)
- 1 - Federal Government
- 2 - State Government and Any of its Agencies
- 3 - State Subdivision and Any of Its Agencies
- 4 - Board, Commission or Committee of 1, 2 or 3
- 5 - Organization of Association of 1, 2 or 3
- 6 - Certain Non-Profit Public Corporations
- C - County Council Appropriation to Specific Grantee

o MINORITY, FEMALE, DISABLED (MFD) OWNED BUSINESS CATEGORY

- 1 - Non-MFD business
- 2 - Black
- 3 - Hispanic
- 4 - Asian American
- 5 - American Indian
- 6 - Female
- 7 - Disabled



APPENDIX C

SUMMARY OF CONTRACTS REVIEWED BY TYPE AND DIVISION



## DEPARTMENT AND DIVISION SUMMARY OF CONTRACTS REVIEWED

DEPARTMENT/DIVISION	P	R	O
ADDICTION, VICTIM, MENTAL HEALTH			
• SERVICES FOR VICTIMS AND FAMILIES	2		
• ALCOHOL, DRUG ABUSE AND ADOLESCENT SERVICES DIVISION			1
CORRECTION AND REHABILITATION			
• PRE-RELEASE	1		
• DETENTION CENTER		1	
ECONOMIC DEVELOPMENT			
• STRATEGIC PLANNING	1		
• BUSINESS AND INDUSTRIAL DEVELOPMENT	1		
ENVIRONMENTAL PROTECTION			
• SOLID WASTE MANAGEMENT		2	2
• ENVIRONMENTAL PLANNING AND MONITORING	1	1	
FACILITIES AND SERVICES			
• ARCHITECTURAL SERVICES	2		
• ART	1		
• MAINTENANCE	1	1	1
FAMILY RESOURCES			
• COOPERATIVE EXTENSION SERVICES	1		
• HANDICAPPED INDIVIDUAL SERVICES	2		
• MANAGEMENT/ARCHITECTURAL SERVICES		1	
FINANCE			
• PURCHASING		1	

---

KEY: P - PROFESSIONAL SERVICES CONTRACTS  
R - OTHER THAN PROFESSIONAL SERVICES CONTRACTS  
O - EMERGENCY CONTRACTS

<b>DEPARTMENT/DIVISION</b>	<b>P</b>	<b>R</b>	<b>O</b>
----------------------------	----------	----------	----------

<b>FIRE AND RESCUE SERVICES</b>			
• FIRE PREVENTION		1	
• DIRECTOR'S OFFICE/PROGRAM DEVELOPMENT			1
<b>HEALTH</b>			
• HEALTH SERVICES		1	
• HEAD START	1		
<b>HOUSING AND COMMUNITY DEVELOPMENT</b>			
• COMMUNITY PLANNING AND DEVELOPMENT	1		
• HOUSING		1	
<b>LIBRARY</b>			
• PUBLIC SERVICES DIVISION		1	
• DIRECTOR'S OFFICE/BUSINESS OFFICE			1
<b>LIQUOR CONTROL</b>			
• WAREHOUSE DIVISION		1	
<b>PERSONNEL</b>			
• LABOR/EMPLOYEE RELATIONS	1		
• CLASSIFICATION, COMPENSATION AND RESEARCH	1		
<b>POLICE</b>			
• MANAGEMENT SERVICES/COMMUNICATIONS		2	1
<b>PUBLIC INFORMATION</b>			
• INFORMATION AND REFERRAL		1	
<b>RECREATION</b>			
• ARTS	1	1	
• ADMINISTRATIVE SERVICES DIVISION	1		

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KEY: P - PROFESSIONAL SERVICES CONTRACTS  
R - OTHER THAN PROFESSIONAL SERVICES CONTRACTS  
O - EMERGENCY CONTRACTS

**DEPARTMENT/DIVISION** **P** **R** **O**

---

**SOCIAL SERVICES**

- ADULT SERVICES 1
- FISCAL MANAGEMENT DIVISION 1

**TRANSPORTATION**

- TRANSIT SERVICES (MULTI-DEPARTMENT) 1
- TRAFFIC ENGINEERING 1 1
- TRANSPORTATION ENGINEERING 1 1
- OPERATIONS 1

---

**TOTAL** **23** **20** **7**

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**KEY:** P - PROFESSIONAL SERVICES CONTRACTS  
R - OTHER THAN PROFESSIONAL SERVICES CONTRACTS  
O - EMERGENCY CONTRACTS



APPENDIX D

CONTRACT REVIEW CHECKLIST SUMMARY



MONTGOMERY COUNTY  
CONTRACT ADMINISTRATION STUDY  
CONTRACT FILE REVIEW CHECKLIST  
SUMMARY

- Reviewer: Peat Marwick
- Date: 10/87 - 12/87

CONTRACT REVIEWED

- Contract Number: Various
  - Department: Various
  - Division: Various
  - Contract Administrator: Various
  - Classification (check one)
    - Professional Services(23)
    - Other Than Professional Services(20)
    - Emergency(7 )
  - Contract Amount: Various
  - Vendor Name: Various
  - Subcontractors: Various
  - MFD Contractor (name, prime/sub): Various
  - Contract Description: 50 Contracts (54 Contract Files) from 18  
Montgomery County Departments
- Contract Dates
    - Start: Various
    - Completion: Various
  - Phone: Various
  - Contract Action  
(Check one or more)
    - New(  )
    - Modification(  )
    - Administrative Action(  )
    - Renewal(  )
    - Delivery Order(  )
    - Other (specify) \_\_\_\_\_

REVIEW AREAS

NOTE: INDICATE APPROPRIATE CATEGORY WITH "X" - ADD DESCRIPTION AS REQUIRED IN COMMENT SECTION PROVIDED.

1. CONTRACT DOCUMENTATION - PREAWARD	Contained in File?		
	Yes	No	N/A
• Formal RFP	11 (20%)	8 (15%)	35 (65%)
• Formal IFB	10 (19%)	2 (4%)	42 (78%)
• Informal Solicitation Notice	6 (11%)	2 (4%)	46 (85%)
• Other - Specify: <u>Various</u>	16 (30%)	3 (5%)	35 (65%)
• Accepted Proposal	21 (39%)	7 (13%)	26 (48%)
• Accepted Bid	24 (44%)	7 (13%)	23 (42%)
• Preaward Correspondence/Memoranda	33 (61%)	9 (17%)	12 (22%)

COMMENTS: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2. CONTRACT DOCUMENTATION - POSTAWARD	Contained in File?		
	Yes	No	N/A
• Executed Contract (copy)	46 (85%)	5 (9%)	3 (6%)
• Contract Modification:			
-Contract Amendment	20 (37%)	2 (4%)	32 (59%)
-Change Order	5 (9%)	1 (2%)	48 (89%)
-Field Order	1 (2%)	1 (2%)	52 (96%)
• Administrative Action	1 (2%)	2 (4%)	51 (94%)
• Renewals	14 (26%)	1 (2%)	39 (72%)
• Delivery Orders	8 (15%)	1 (2%)	45 (83%)
• Purchase Orders	48 (89%)	1 (2%)	5 (9%)
• Emergency Authorizations	7 (13%)	3 (6%)	44 (81%)
• Terminations	2 (4%)	0 (0%)	52 (96%)
• Invoices/Bills from Contractors	49 (91%)	4 (7%)	1 (2%)
• DPMM Contract Monitoring Reports			
Including: -Modification	10 (19%)	10 (19%)	34 (62%)
-Extensions	11 (20%)	10 (19%)	33 (61%)
-Completion	1 (2%)	18 (33%)	35 (65%)
-MFD Compliance	0 (0%)	5 (9%)	49 (91%)
-Performance Failure	1 (2%)	1 (2%)	52 (96%)
-Form PMMD-15	11 (20%)	30 (56%)	13 (24%)
• Appeals/Disputes	3 (6%)	1 (2%)	50 (92%)
• Professional Services Procurement Form (Form PMMD-8)	15 (28%)	12 (22%)	27 (50%)

COMMENTS: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

### 3. PROJECT REQUIREMENTS

	Contained in File?		
	Yes	No	N/A
• Work Task(s) Defined	34(63%)	1( 2%)	19(35%)
• Goods/Supplies Defined	19(35%)	0( 0%)	35(65%)
• Deliverables Identified			
-Type	35(65%)	2( 4%)	17(31%)
-Quantity	24(44%)	0( 0%)	30(55%)
-Specification/Standards	34(63%)	0( 0%)	20(37%)
• Schedule Established			
-Major Project Milestones (include start/finish dates)	23(43%)	5( 9%)	26(48%)
-Deliverables Schedule (dates)	25(46%)	4( 8%)	25(46%)
• Labor Commitment			
-Hours by Task	21(39%)	3( 6%)	30(55%)
-Personnel Assignments	15(28%)	2( 4%)	37(68%)

COMMENTS: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

### 4. BUDGETARY CONTROL

	Contained in File?		
	Yes	No	N/A
• Is There a Budget?	52 (96%)	2 ( 4%)	0 ( 0%)
• Established Basis of Payment			
-Task Completion	13 (24%)	1 ( 2%)	40 (74%)
-Percent of Project Completion	3 ( 5%)	1 ( 2%)	50 (93%)
-Periodic	19 (35%)	1 ( 2%)	34 (63%)
-Deliverables Received	22 (41%)	1 ( 2%)	31 (57%)
• Progress Report/Letters Stating Tasks Accomplished/Services Rendered	21 (39%)	16 (30%)	17 (31%)
• Invoices/Bills from Contractors	50 (92%)	3 ( 6%)	1 ( 2%)
• Payment Authorizations	50 (92%)	2 ( 4%)	2 ( 4%)
• Purchase Orders	48 (89%)	1 ( 2%)	5 ( 9%)
• Field Orders	1 ( 2%)	1 ( 2%)	52 (96%)
• Are Invoices in Accordance with Contract Requirements?	46 (85%)	5 ( 9%)	3 ( 6%)
• Is there Evidence that Actual Payments/ Invoices Relate to Contract Budget Schedule?	45 (83%)	6 (11%)	3 ( 6%)
• Vendor Invoices Handled in a Timely Fashion?	38 (70%)	13 (24%)	3 ( 6%)

COMMENTS: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

5. COPIES/RECORD OF DELIVERABLES

	Contained in File?		
	Yes	No	N/A
• Shipping Manifest/Invoice	46 (85%)	1 ( 2%)	7 (13%)
• Draft Reports & Comments	11 (20%)	6 (11%)	37 (69%)
• Final Reports	3 ( 5%)	2 ( 4%)	49 (91%)
• Briefing Materials	8 (15%)	4 ( 7%)	42 (78%)
• Is there Evidence that Deliverables Relate to Contract Requirements?	44 (82%)	4 ( 7%)	6 (11%)
• Is there Evidence that Actual Deliverables Timeframe is Related to Contract Schedule?	40 (74%)	9 (17%)	5 ( 9%)

COMMENTS: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

6. INTERNAL/EXTERNAL CORRESPONDENCE

	Contained in File?		
	Yes	No	N/A
• External Correspondence			
-Contractor to County	42 (78%)	4 ( 7%)	8 (15%)
-County to Contractor	40 (74%)	8 (15%)	6 (11%)
-Other - Specify: <u>Various</u>	16 (30%)	0 ( 0%)	38 (70%)
• Internal Correspondence			
-Memos to Contract File	34 (63%)	7 (13%)	13 (24%)
-Memos from Contract Administrator to Staff	26 (48%)	6 (11%)	22 (41%)
-Memos from Staff to Contract Administrator	30 (56%)	5 ( 9%)	19 (35%)
-Memos to County Attorney's Office	18 (33%)	4 ( 7%)	32 (60%)
-Memos to Contract Review Committee	16 (30%)	4 ( 7%)	34 (63%)

COMMENTS: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

7. GENERAL FILE ORGANIZATION

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
• Files Labeled?	<u>43 (80%)</u>	<u>9 (16%)</u>	<u>2 ( 4%)</u>
• Organized?	<u>39 (72%)</u>	<u>14 (26%)</u>	<u>1 ( 2%)</u>
• Complete?	<u>21 (39%)</u>	<u>24 (44%)</u>	<u>9 (17%)</u>

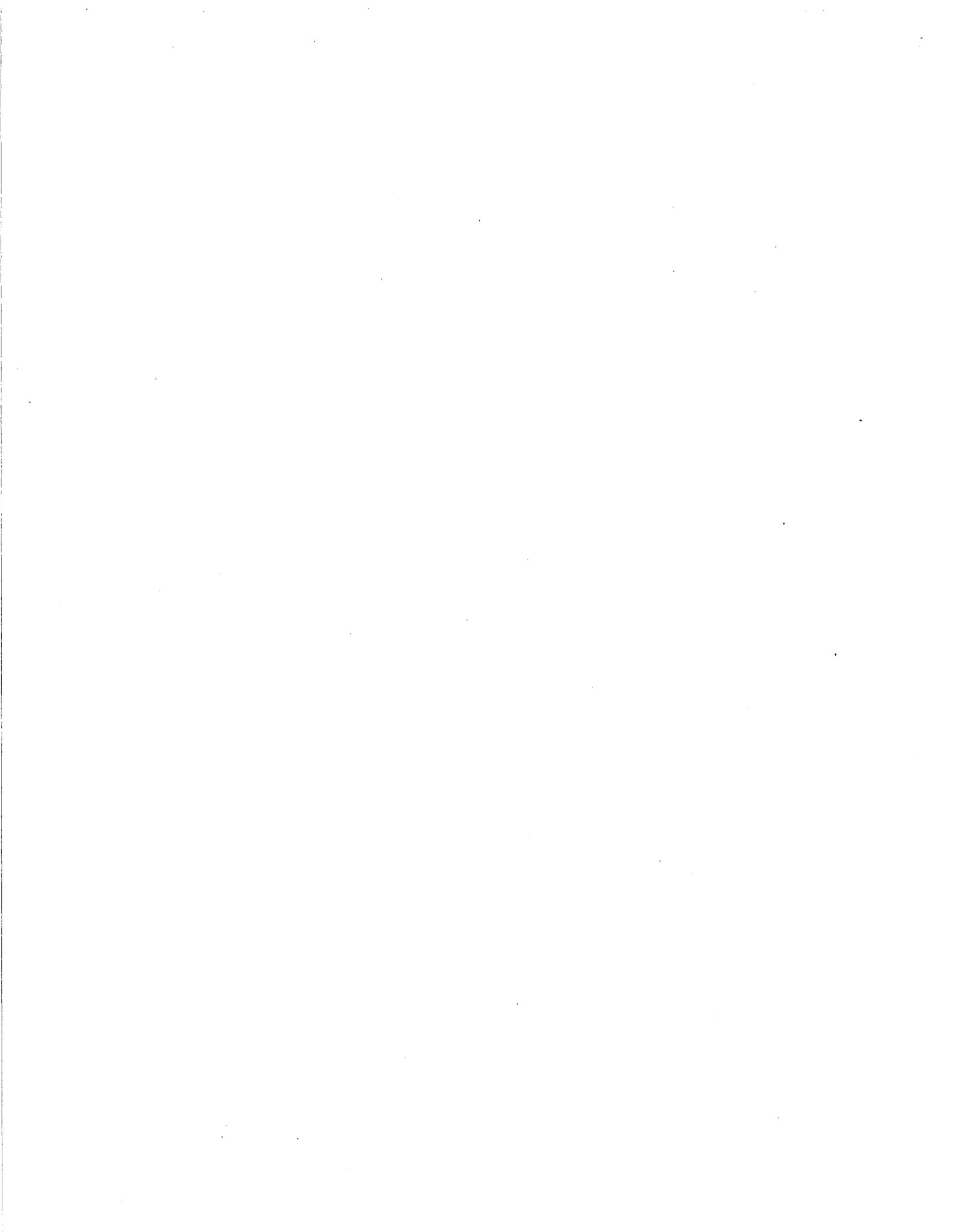
COMMENTS: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

8. GENERAL COMMENTS/ISSUES: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



APPENDIX E

CONTRACT MONITORING REPORT



D R A F T

MONTGOMERY COUNTY, MARYLAND

CONTRACT MONITORING REPORT

THIS REPORT FOR:

- Modification
  - Extension
  - Completion
  - Special
  - Other
- (Instructions on Reverse)

DATE: \_\_\_\_\_

TO: Chief, Purchasing & Materiel Management Division, Department of Finance

VIA: \_\_\_\_\_  
Department Director

FROM: \_\_\_\_\_  
Contract Administrator, Department

SUBJECT: \_\_\_\_\_  
Contract Number Contractor's Name

\_\_\_\_\_ Date of Award: \_\_\_\_\_  
Purpose of Contract

PR or CT Purchase Order Number (when Encumbrance Value is to be Modified)

1. Has the contractor's performance been acceptable in view of contract provisions? Yes \_\_\_ No \_\_\_

If "No", indicate the nature of the unacceptable performance:

- Timeliness
- Quality
- MFD Compliance
- Other: \_\_\_\_\_

2. Explain briefly the nature and severity of the unacceptable performance indicated in paragraph 1:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. Has the contractor been informed of the unacceptable performance indicated in paragraph 1?

Yes \_\_\_ What was the response? (Attach copies of correspondence, memoranda for the record, etc.)

\_\_\_\_\_  
\_\_\_\_\_

No \_\_\_ \_\_\_\_\_

4. Are there any unresolved problems? No \_\_\_ Yes \_\_\_ (Explain briefly. Attach copies of correspondence, memoranda for the record, etc.)

\_\_\_\_\_  
\_\_\_\_\_

5. Do you consider this contractor to be a responsible firm? Yes \_\_\_ No \_\_\_ (Explain briefly):

\_\_\_\_\_  
\_\_\_\_\_

(Continue on back or a separate sheet referencing the Contract Number and Contractor Name.)

cc: Contract Administrator's file



APPENDIX F

PROFESSIONAL SERVICES PROCUREMENT  
PROCESSING AND REPORTING FORM







APPENDIX G

DEPARTMENT AND AGENCY COMMENTS  
TO DRAFT FINAL REPORT

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On March 25, 1988, the Office of Legislative Oversight circulated a draft of this report to the heads of all agencies, departments and offices that participated in the study. Written comments are included in their entirety in this Appendix. Comments of a factual and technical nature have been incorporated into the report.

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# Montgomery County Government

ROCKVILLE, MARYLAND 20850

## MEMORANDUM

April 22, 1988

TO: Andrew Mansinne, Jr., Director, Office of Legislative Oversight  
FROM: Lewis T. Roberts, Chief Administrative Officer  
SUBJECT: OLO Report No. 88-3, A Study of Contract Administration Within Montgomery County

Thank you for the opportunity to comment on the above-mentioned draft report. We are pleased to note that there do not appear to be any major shortcomings with the County's contract administration effort. It is clear from the report that we are in compliance with the provisions of the County Charter. The report brings to our attention in an organized fashion certain areas requiring improvement and a program of services for implementation which we will need to carefully consider.

Please be aware that we are taking no position on the merits or funding of the individual recommendations at this time. We reserve judgement on the merits of the report until after the final report has been submitted to the County Council.

Attached for your review are a number of technical comments from individual department heads. We look forward to a full discussion of the final report with you and the County Council.

LTR:psa



M E M O R A N D U M

April 21, 1988

TO: Keith E. Kolodgie  
Assistant to Chief Administrative Officer

VIA: Clyde H. Scirell  
County Attorney

FROM: H. Christopher Malone  
Senior Assistant County Attorney  
Team Leader Finance/Contracts Team

SUBJECT: Draft OLO Report No. 88-3, Contract Administration

The comments of the Finance/Contracts Team are set forth below and are listed seriatim by page number of the report.

The report states that draft administrative procedures were developed and never adopted (Par. 3, pg. E.1). As a matter of fact the procedures were drafted by an employee of OMB who had no background or knowledge of the Procurement Regulations. The procedures were inconsistent with the Procurement Regulations and were generally incorrect in many instances.

The report indicates that CAO and County Executive have equal responsibility for administering the procurement system (Par. 2, pg. E.3 & Par. 4, pg. II.7). This is incorrect, Chapter 11B provides that CAO has the sole responsibility for the procurement system. The County Executive does not exercise any direct involvement.

The report states that the Procurement Regulations do not require performance of services by contractor during a contract claim or dispute (Par. 5, pg. E.4, pg. III.7). The report recommends such a provision in the Procurement Regulations (Par. 3, pg. E.5, pg. III.9). The new proposed General Conditions have this requirement. The general consensus of the Team is that such a requirement should not be in the Procurement Regulations, since this makes it easier to negotiate this requirement on a contract by contract basis.

The report recommends that sections of the Procurement Regulations dealing with termination, construction contracts and grants be completed. (Par. 4, pg. E.4 & Par. 2, pg. E.5, pg. III.7-III.8). This was based on the statement of several contract administrators that they had inadequate guidance to carry out

Clyde H. Sorrell  
April 21, 1988  
Page - Two

their contract administration responsibilities because these provisions were incomplete. The statement is not completely accurate, since this Office and DPMM have always assisted contract administrators with any problems. The inability to complete these provisions shows that DPMM and this Office need additional staff. It is more important that we complete the contract "boilerplate", especially for construction contracts.

The report states that contract administrators are hesitant to contact DPMM and this Office, because they believe that the staff of DPMM and this Office are overextended and will not be responsive. This is a justification for additional staff for the Finance Team.

The report describes the Finance Team and the contract matters that are handled by the Team (Pg. II.17 & II.18). However, the report fails to mention significant finance and tax matters handled by the Team, such as litigation, advice and opinions, legislation, bankruptcy and agency assignments, which probably consume 50% of the Team's time. The report gives the erroneous impression that the Team is primarily devoted to contract matters, which is not the case. The report fails to note that two attorneys review approximately 3,000 contracts per year, and yet devote 50% of their time to non-contract matters.

The listing of attorneys is incorrect in that it fails to indicate that Charles Spigelman is full time and Daniel Rigterink is half-time with no contract responsibilities (Pg. II.18).

The report states that County Attorney needs more staff to handle work in a timely fashion (Par. 9, pg. III.4). This is justification for additional staff.

The report states that this Office is not responsive or consistent in providing assistance in contract administration matters (Par. 5, pg. III.5). We don't receive many requests for assistance with contract administration, however our perception is that we do handle promptly the requests which we receive. The real problem may be that contract administrators need assistance and they are not able to obtain it from the DPMM, because of lack of staff.

Clyde H. Sorrell  
April 21, 1988  
Page - Three

The report states that the Charter and Code require a centralized system while in fact the system is decentralized (Findings, pg. III.6). This supports the effort to provide more staff for DPMM and/or make DPMM a separate department.

The report recommends a streamlined approach to contract amendments "which requires only those terms and conditions that are being modified and reviewed by DPMM, the County Attorney's Office..." (Pg. III.23). We have already accomplished this with our contract amendment forms. Some of these forms do not require review by this Office.

The report states that contract administrators are hesitant to contact DPMM and this Office unless an issue is serious, since the staff of each Office is overextended (Pg. III.24). If they don't contact DPMM and this Office, they may not know if an issue is serious. This is another justification for additional staff.

The report recommends a fully staffed contract support section in DPMM, and basis this recommendation on the assumption that we have such a section in our Office (Pg. III.25, III.32). This assumption is not correct, we do not have an attorney specifically assigned to advise contract administrators. The report should recommend additional staff for our Office for the same reasons it recommends additional staff for DPMM.

This Office should be listed along with DPMM for the second "bullet" under "Qualifications". (Pg. IV.4).

This Office should be listed along with DPMM for the first "bullet" under "Communications" (Pg. IV.5).

HCM:pb  
3055M

cc: Marc Hansen  
Dave Frankel  
Charles Spigelman





# Montgomery County Government

MEMORANDUM

REC'D *Ch* APR 18 1988  
Rec'd County Exec APR 20 1988  
April 14, 1988

TO: Andrew Mansinne, Jr., Director  
Office of Legislative Oversight

VIA: Lewis T. Roberts, Chief Administrative Officer  
Office of the Chief Administrative Officer *LTR*

FROM: *Graham J. Norton*  
Graham J. Norton, Director  
Department of Facilities and Services

RE: Draft OLO Report No. 88-3

Facilities and Services agrees with the overall thrust of this draft report and commends Peat Marwick Main and Company for their comprehensive analysis.

Of major concern is the issue of what a Contract Administrator should be accomplishing. We encourage the establishment of mandatory training for monitoring and administering contracts, as well as, training employees in writing contract specifications in order to monitor contracts effectively, although writing good specs was not addressed in this study. We also agree that contract administration functions should remain where applicable, within departments, but support the creation of a contract administrative section or additional positions within the procurement office whose function is to provide assistance to departments.

In addition, we strongly recommend the Procurement Office completing the unfinished (reserved) sections of the Procurement Regulations 130-85 and provide continuous guidelines to departments for contract administration, either through publications or through automated on-line inquiry.

GJN:MMM

WP147B



DEPARTMENT OF ADDICTION, VICTIM, AND MENTAL HEALTH SERVICES  
401 Hungerford Drive, Suite 500  
Rockville, Maryland 20850  
217-1300

MEMORANDUM

April 20, 1988

TO: Andrew Mansinne, Jr., Director  
Office of Legislative Oversight

FROM: Pete Holt, Director  
Department of Addiction, Victim, and Mental Health Services

SUBJECT: Draft OLO Report No. 88-3, A Study of Contract Administration  
Within Montgomery County

Overview

The draft OLO Report No. 88-3 appears to be well written with findings and recommendations that should improve contract administration within Montgomery County Government. Listed below are specific comments to correct or refine some of the items discussed in the report.

Specific Comments

- o Pages E.2, E.3, II.3 and II.6 - These and other pages throughout the report list the total of each department's new contracts/purchase orders, modifications, and renewals for FY 87. The figure attributed to the Department of Addiction, Victim, and Mental Health Services of 59 items valued at \$211,966 is incorrect. In FY 87, DAVMHS's number of items processed was approximately 225 with a total dollar value of \$4.0 million. It appears that the number of items processed and their respective dollar values for the DAVMHS and the Health Department were interchanged. I have identified at least 4 pages in the report on which this erroneous information is reported. I strongly recommend that these changes be made on these pages and throughout the rest of the report prior to a final draft being published.
- o Page E.4 - It is noted that there is no requirement for contractors to proceed during a contract claim or dispute. That is incorrect. This provision is listed in General Conditions item #7.

Andrew Mansinne, Jr.  
April 14, 1988  
Page 2

- o Page E.5 - Recommends rolling procedures, regs, interpretive bulletins into one manual. This is a good idea but it needs to be refined. Produce a manual which groups related items under major topic headings and drop the notion of separating the procurement regulations from interpretive bulletins and policy memos.
- o Page E.7 - Recommends combining the Contract Monitoring Reports (PMMD-15) and the Professional Services Procurement Processing and Reporting forms (PMMD-8). This is a good idea. I would further recommend heavy operating department input, as a way to improve these forms. Also accessibility to the centralized contractor performance data base needs to be improved.
- o Pages III.10 and III.11 - I don't have any problems with contracts involving a degree of specificity, but I believe a balance is required. If we get too detailed with each step the contractor must take to achieve the output we desire, there is a possibility that this becomes a contract employee situation rather than an independent contractor.

#### Summary

I am in major agreement with most of the findings and recommendations in this draft OLO Report No. 88-3.

PH:DRC:smh:0504B



# Montgomery County Government

## M E M O R A N D U M

April 20, 1988

TO: Andrew Mansipne, Jr., Director, Office of Legislative Oversight

FROM: Charles L. Short, Director, Department of Family Resources

SUBJECT: Comments on Draft OLO Report No. 88-3, A Study of Contract Administration Within Montgomery County

We appreciate the opportunity to comment on the contract administration study prepared by Peat Marwick Main and Company. The study covers a very broad topic that is of great concern to me since DFR is so heavily involved in contracting for services.

While I am in agreement with the recommendations of the study, there are several areas that I would like to mention or make comments on:

1. Page E.4 - The completion of the County's Procurement regulations is very important, along with formalized procedures for contract administration which must be developed with the operating departments. Further, the dissemination and updating of the procurement regulations should become as formalized a process as one that already exists for the Administrative Procedures manual.
2. Page E.8 - I strongly endorse the establishment of separate class specifications for contract administrators and contract monitors. The current classification system does not assign significant enough weight to responsibilities of contracts nor does it properly reflect the level at which many County employees are now involved with contracts. I am also very supportive of implementing a training program for contract administrators and contract monitors. Such on-going training should be helpful in establishing more consistent approaches throughout the government.
3. Last year, a substantial amount of time was put into a study by the Executive Branch Procurement Task Force. Perhaps that study could be reviewed to endorse certain recommendations made in OLO's report and to see if there are any other issues that should be addressed.

Office of the Director, Department of Family Resources

101 Monroe Street, Rockville, Maryland 20850-2589, Voice 301/217-1245, TDD 217-1246

4. I would also like to point out one area where corrections are necessary. The chart on page II.6 and subsequent narrative on page II.7 indicate that DFR's contract amount is \$5.5 million. Our own review indicates that the correct number is closer to \$10 million for FY 87. This also includes some \$1.5 million of non-appropriated funds associated with the Head Start Program and senior nutrition program.

We appreciate the opportunity to comment on this report. Should you have any questions, please call Sean Davis at 217-1268.

CLS: jm

M E M O R A N D U M

April 20, 1988

TO: Keith Kolodgie, Assistant to Chief Administrative Officer  
FROM: Max R. Bohnstedt, Director, Department of Finance *MRB*  
SUBJECT: OLO Report # 88-3

The report as done by Peat Marwick Mitchell reflects, as can be expected of a study done by external eyes, a recitation of areas we know we need to grow in. It is, however, important to keep in mind that it reflects one of many perspectives and one of many sets of priority assignments.

I believe the report could be improved by the following corrections:

1. The organization chart shows a solid line from Finance to CPMM. In the context of Purchasing and contract administration this is a dotted line. The delegation of authority is directly from Lewis T. Roberts to John Battan.
2. On page E.6 there is a recommendation that the CPMM make an annual inspection of Department contract files for conformity to standards. I believe this would better be done by Internal Auditing.

MRB/mla





# Montgomery County Government

## MEMORANDUM

April 18, 1988

TO: Andrew Mansinne, Jr., Director  
Office of Legislative Oversight

VIA: Keith E. Kolodgie, Assistant to the Chief  
Administrative Officer

FROM: *JLM* John L. Menke, Director  
Department of Environmental Protection

SUBJECT: Review of OLO Report on Contract Administration

I circulated through the Department OLO Report No. 88-3, Study of Contract Administration Within Montgomery County. We concur in general with the report although we would have preferred more time to study the document in greater detail.

I certainly agree with the recommendation on page III.21 to establish class specifications for contract administrators. However, there should be an expansion of the recommendation into consideration of assignment of such positions to departments. Contract administration would work much more effectively than now if departments with large contracted operations had a staff member who had only those duties. In that light, I concur with the recommendation on IV.6 for DEP to have a full-time contract administrator.

On Page B.4 DEP was shown as having a paving contract. That is incorrect.

I would suggest that the threshold amount of \$3,000 for Contract Monitoring Reports be increased to \$10,000. (Page E.7)

We enthusiastically endorse the recommendation on E.8 for a comprehensive training program.

Andrew Mansinne, Jr.  
April 18, 1988  
Page 2

In regard to files, I urge the development of computer programs for use by the departments and the CPMM. Hard copy files would still probably be needed for legal reasons but the computer system would assist administration.

The recommendations on communications among responsible County staff are sound but need to be extended to the situations that we face when we may not be informed of changes made by Purchasing staff, the County Attorney's Office, the CRC, or some other reviewer.

The implementation plan is quite ambitious. It might be advisable to focus on the production of a complete set of regulations and guidelines, and on training.

In conclusion, we commend the report. It was a comprehensive and valuable document which should be used as a guide for future enhancement of contract administration.

JLM:WDD:em

6228D

# COMMUNITY USE OF SCHOOLS

100 Maryland Avenue, Room 414 • Rockville, Maryland 20850 • (301) 251-2706  
M E M O R A N D U M

April 5, 1988

TO: Andrew Mansinne, Jr., Director  
Office of Legislative Oversight

FROM: Gail Ayers, Executive Director  
Interagency Coordinating Board

SUBJECT: DRAFT OLO Report No. 88-3, A Study of Contract Administration within Montgomery County

The draft report on A Study of Contract Administration within Montgomery County comes at a time when Community Use of Schools is experiencing a significant growth in contracting for professional services. Thus, we are pleased to have the opportunity to comment on contract administration.

While Community Use of Schools has traditionally processed fewer than 50 professional services contracts each year, the implementation of the school age services program has increased this number by almost 500%. This is a heavy volume of contracts to be administered given our small staff (11 full-time employees in the central office) and the press of other business. While we do not feel that a separate class specification for contract administrators is required in a small office such as ours, we wholeheartedly support an ongoing, comprehensive training program for employees involved in contract administration and monitoring. As noted in the Study, the County Procurement Regulations do not offer sufficient procedural information to guide new contract administrators.

Staff also agrees with the recommendation that DPMM should develop and issue a periodic information newsletter for contract administrators. Although we understand that this would place an additional burden on DPMM staff, the benefits accruing to other County departments in terms of effectiveness and efficiency in processing, administering and monitoring contracts would far outweigh the additional staff resources which may be required.

Andrew Mansinne, Jr.

Page 2

April 5, 1988

The idea of establishing a Contract Administration Support Section in DPMM is even more appealing. In addition to issuing the periodic newsletters to departments, staff would be available to provide direct assistance to the departments to insure compliance with all procedures and regulations. With the continued growth of the County's contracting requirements, such a support section is a necessity.

The Study focused on the important and relevant issues of contract administration in Montgomery County and, with the exception of the development of a separate class specification for contract administrators, staff is in agreement with the conclusions and implementation plan.

We look forward to implementation of the recommended changes.



# Montgomery County Government

1988 APR 15 PM 3:01

## MEMORANDUM

April 15, 1988

TO: Andrew Mansinne, Jr., Director  
Office of Legislative Oversight

FROM:  Ramon F. Granados, Director  
Department of Fire and Rescue Services

SUBJECT: DRAFT OLO Report No. 88-3, A Study of Contract  
Administration Within Montgomery County

DRAFT OLO Report No. 88-3 has been reviewed by myself and the senior staff of this department. Once again the Office of Legislative Oversight should be congratulated for a most thorough and accurate analytical document.

The report was found to be most timely. Many of the referenced findings are reflective of perceptions currently held by this agency's personnel who perform contract administration activities.

The Department of Fire and Rescue Services looks forward to the implementation of the report's findings. It offers its assistance, as may be needed, to insure the continued success of the contract administration process.

RFG:RR:wh  
0446W

cc: Lewis T. Roberts, CAO





Montgomery County Government APR 15 PM 12: 04

MEMORANDUM

April 8, 1988

TO: Andrew Mansinne, Director, Office of Legislative Oversight  
VIA: Keith E. Kolodgie, Assistant to the Chief Administrative Officer  
FROM: Barbara B. Gregg, Executive Director, Office of Consumer Affairs *BBG*  
SUBJ: Comments - DRAFT OLO Report 88-3, Contract Administration

The Office of Consumer Affairs uses consultants on a limited basis when specific expertise is required during the investigation of a complaint. Professional consultants are used in the area of home repair, electronic and auto repair, and new home construction. In all instances our costs have not gone above \$3000 yearly per consultant with some charges being less than \$100 per year, since our usage is on an "as needed" basis.

Therefore, we do not feel we can comment on many of the areas in the draft OLO Report 88-3. However, we would like to suggest that a "contract analyst" be assigned to departments (much like a budget analyst or personnel analyst is assigned). This would assure continuity throughout the County and each analyst would have a greater understanding of the needs of their assigned departments and would be able to better provide assistance and guidance. Training is excellent for those departments which constantly use contracts for goods or services, but a contract administrator who only occasionally is called on to monitor a contract would benefit from the assistance of a contract analyst.

BBG/MG/JLS/jls





Montgomery County Government

1988 APR 15 AM 10: 52

MEMORANDUM

April 7, 1988

TO: Andrew Mansinne  
Office of Legislative Oversight

FROM: *Calvin A. Lightfoot*  
Calvin A. Lightfoot, Director  
Department of Correction and Rehabilitation

SUBJECT: DRAFT OLO Report No. 88-3, Contract Administration Study

As requested, my staff and I have reviewed the draft study and recommendations. The department is in general agreement with the recommendations and we strongly support the recommendations for training and creation of a contract administrator's manual. We would, however, like a full discussion of implementation strategies prior to the recommendations being implemented.

Of particular concern is the recommendation that departments have a fulltime contract administration position. At this time, personnel in our department assigned to this responsibility are also assigned a variety of other, often unrelated, duties. The Department of Correction and Rehabilitation is not in a position to reallocate staff resources to such a position at this time, nor could we afford to substitute this position for another newly created position. We would require an additional position and an additional work year to accommodate the function of contract administration as described in the report.

Additionally, there are two errors needing correction. Page III.17, line 27, (under the heading of Correction and Rehabilitation) the correct title for the person indicated is Administrative Specialist II. Appendix A - Interview Participants, page A.2, under the heading Correction and Rehabilitation - Mike Schweitzer - Program Manager, Detention Center.

Thank you for the opportunity to review the report. Please contact me at 217-7545 if you require additional information.

CAL/CGK



MONTGOMERY COUNTY HEALTH DEPARTMENT  
100 Maryland Avenue, Suite 240  
Rockville, Maryland 20850  
217-7470

M E M O R A N D U M

April 14, 1988

TO: Andrew Mansinne, Jr., Director  
Office of Legislative Oversight

VIA Lewis T. Roberts  
Chief Administrative Officer

FROM: Martin P. Wasserman, M.D., J.D.  
Director

*M. P. Wasserman*  
*A.S.C.*

SUBJECT: Draft OLO Report No 88-3

This memorandum responds to your request for comments on OLO Report 88-3, A Study of Contract Administration Within Montgomery County.

In general terms, the study was well executed and the conclusions were appropriate. Implementation of the Contractor's recommendations would be a positive contribution to the County's procurement process. Particularly pertinent is the recommendation to establish a Contract Administrator Class. In this regard, however, there is a minor inconsistency in the study recommendations. If a Contract Administrator Class were to be established, it could be assumed that the skill levels required for employment and/or promotion would reduce the need for ongoing training and periodic meetings which are recommended by the study.

Exhibit II-3 credits the Health Department with 147 professional service contracts in Fiscal Year 1987. This figure appears to include contracts initiated in the Health Department during Fiscal Year 1986 which were subsequently transferred to the new Department of Addiction, Victim, and Mental Health Services. Accordingly, these figures should be footnoted, or revised, to reflect approximately 50 professional service contracts in the Department of Health and 139 in the Department of A-V-MH Services.

cc: Pete Holt, A-V-MH Services  
File

MPW:JSJ:1142Z





# Montgomery County Government

## MEMORANDUM

April 11, 1988

TO: Andrew Mansinne, Jr., Director  
Office of Legislative Oversight

FROM: Darald Lofgren, Acting Director  
*Darald Lofgren (for TMJ)*  
Department of Recreation

SUBJECT: Draft Study of Contract Administration  
within Montgomery County

The Department of Recreation Contract Administration is coordinated thru the Administrative Services Coordinator. The monitoring of the Department's contracts are handled by the appropriate Section Head in which the services are rendered.

The majority of the 200 Department of Recreation contracts that are on file in Purchasing are Boiler Plate contracts for Professional Services. These contracts are for recreation classes in which fees are collected from the participants to pay the associated expenses. The contractor is evaluated primarily by the satisfaction of the participants. The programs are operated only if enough participants are enrolled. The Recreation Department staff does spot checks periodically, but cannot visit each class due to the sheer number of classes. Less than 10% of our professional services contracts are valued over \$10,000.

The study done by Peat Marwick Main & Co. was a thorough study and pointed out several of the problems and concerns that the Department has experienced in Contract Administration. Among their recommendations that we support include:

- The development of a formalized set of procedures to assist staff in Contract Administration activities. Since the County has a decentralized system of handling these functions, the formalization of procedures would greatly assist Departments in following the regulations and improve coordination with procurement.
- The Department strongly supports the recommendation that the County establishes a contract dollar threshold under which CMRs are not required. The \$3,000 figure suggested is a start, however, based on our programs, the quality of service is predicated on participant satisfaction and in many cases require little tax dollar support. We would like to see this figure increase to \$7,000.

Office of the Director, Department of Recreation

12210 Bushey Drive, Silver Spring, Maryland 20902, 301/468-4164, TTY 301/468-4221

- While the county has provided some training. This has involved large meetings discussing very broad areas and do not allow for any in-depth specific concerns that may only pertain to certain departments. There is little emphasis in assisting contract administration in cutting through all the red tape involved in understanding and implementing the incomplete procurement regulations. The establishment of a fully-staffed contract administration support section within DPMM should help Departments and their staff toward a smoother management of Contract Administration and result in more consistency throughout the County Government.

The recommendations in the study if followed should improve policy coordination, training and staffing necessary to strengthen the county's procurement reputations.

DL:gec  
DRFT/PH4



# Montgomery County Government

## MEMORANDUM

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TO: Keith E. Kolodgie, Assistant to the Chief Administrative Officer  
FROM: *Agnes M. Griffen*  
Agnes M. Griffen, Director  
Department of Public Libraries  
DATE: April 14, 1988  
SUBJECT: DRAFT OLO Report No. 88-3, A Study of Contract Administration  
Within Montgomery County

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The attached memorandum from Mark Wulff contains comments regarding the Draft OLO Report No. 88-3. I concur with the observations which are presented and the conclusions enumerated by Mr. Wulff in this report.

Should you wish further comments or clarification please contact my office (217-3850). Thank you.

AMG/njc  
0612D

MEMORANDUM

April 11, 1988

TO: Agnes M. Griffer, Director  
FROM: Mark J. Wulff, Business Manager

SUBJECT: Comments regarding OLO Report No. 88-3, A Study of Contract Administration within Montgomery County

A few months ago, I spent several hours with an auditor from Peat Marwick & Main Co. reviewing our internal contract administration procedures and the files on two specific contracts. This was part of a County-wide study by the Office of Legislative Oversight. The draft report from this study has been released to the executive branch and has been forwarded by the Chief Administrative Officer's office to us (among other agencies) for review and comment.

I have read through the report's executive summary and scanned the attached exhibits and detail attachments. My impression was that the report was reasonably thorough and accurate in its observations and recommendations. In comparison with the overall picture of the County's approach to contract administration, I would say that Public Libraries is significantly better than average, has already made a fair number of improvements (and has more planned) that are recommended for agencies in this report, and came out with its sampled contract files in much better state than the average appears to be.

A number of thoughts came to mind during the review of this report. In its look at personnel involved in the contract administration tasks, the consultant found some full time administrators, some part time administrators (with other functions filling the remaining hours of full time positions, generally), and some instances where each contract had its own individual administrator. I agree with the comment that a central, single responsible person results in much improved and efficient contract administration. During the last year or so, I have tried to consolidate as much of the role of contract development and submission into the Business Office as was possible (and under my own duties since there was a need to learn the process and problems and develop procedures and tools). The actual monitoring of the contracts, however, has remained dispersed. There is no way that we can currently absorb this load; another position would be needed. As it is, even

*trying to handle all the contract development and submission tasks is severely taxing me and the Business Office. Between the monitoring, development, and submission tasks for the 50 - 60 contracts that we maintain, there is probably a full WY of work involved.*

*I agree with a number of comments and recommendations in the study that referred to the lack of and need for stronger support from the central purchasing function. Regardless of what level of additional staffing and other resources might be needed by this central function, there are a number of areas of need that I support. For example:*

- 1) The Procurement Regulations are not fully developed and need bolstering to provide a stronger base of reference information to contract administrators.*
- 2) There is a lack of formalized and standard guidelines and procedures for use at the agency level in administration of contracts. I would support maintenance of a standardization manual and filing structure.*
- 3) Much of the noted vagueness of contract schedules, tasks, and scopes of services generally could be improved by a regular training program (ODT and/or Purchasing to provide) which would be skills and format specific. Provision of standard boilerplate letters, memos, outlines, tracking forms, etc. would also be a valuable assist, as would provision of standard databases (PC and VS system, both) set up to track and monitor.*
- 4) Increased communications between and among line agencies, the County Attorney, and the various parts of Finance would be good. The suggested newsletter, however, might not be the best approach. Instead, a single manual with sections for a. procedures, b. forms and boilerplate (also available on floppy disk or via electronic transfer), c. guidelines and assistance tools, and d. tips and refinements might be a more useful approach.*

*The attached memorandum from Keith Kolodgie requests comments, if we desire to make them, by April 14<sup>th</sup>. Please feel free to send a copy of this memo or extract portions for transmittal to the CAO's office should you so desire. One final comment is that one point made by the report seems to be incorrect. Near the bottom of page E.4, it states that, "there is no requirement that contractors proceed with the provision of contracted services during a contract claim or dispute." It seems to me that such a provision is made by the standard General Conditions boilerplate issued by the County Attorney (section #7) and required to be used in all contracts.*

**Attachments**

**mjw:BUSMAN19**

