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**Outline**

- Explain the basic principles and practices of Contract Administration.
- Describe the main tasks of Contract Administration
- Discuss the benefits of good Contract Administration
- Discuss the organizational structures for Contract Administration
- Define roles and responsibilities of the Contract Administrator
- Identify essential skills required of the Contract Administrator



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The slide contains an 'Outline' section with six bullet points. At the bottom left is the logo of the Public Procurement Authority of Ghana, which is circular and features a central emblem. The bottom of the slide has a green footer bar with the date '6-Aug-21', the text 'Public Procurement Authority', and the page number '2'.

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## Introduction

- S. 14 (1) This Act applies to
  - a) the procurement of **goods, works and services**, financed in whole or in part from public funds;
  - b) functions that pertain to the procurement of goods, works and services including the description of requirements and sources of supply, **selection and award of contracts and the phases of contract administration**;
- S. 14 (2) j - the phases of **contract administration** as specified in the **Contract Administration Manuals**
- Available : [www.ppa.gov.gh](http://www.ppa.gov.gh)



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## Introduction

- S. 14 (3) The **Contract Administrator** shall
  - a) Manage the obligations and duties of the procurement entity specified in the contract; and
  - b) Ensures that the supplier or contractor performs the contract in accordance with its terms and conditions.



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## Introduction

### S.18 – Functions of the Head of Entity

- S18. 4b - The head of entity shall
  - apply the thresholds that relate to heads of entities as specified in the Second and Third Schedules to this Act; and
  - facilitate **contract administration and ensure compliance** with the reporting requirements under this Act.



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## Introduction

### S. 20B (1) - Functions of the (MDA)Entity Tender Committee

e) facilitate **contract administration** and ensure compliance with reporting requirements under this Act; and

### S. 20B (2) – ETC at RCC

e) facilitate **contract administration** and ensure compliance with reporting requirements under this Act; and

### S. 20B (3) – ETC at MMDA

e) facilitate **contract administration** and ensure compliance with reporting requirements under this Act; and



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## Introduction

- **Project Management / Contract Management**
  - Sec. 21 2(a) – Contract Package
- **Project Administration / Contract Administration**
- What is the Difference




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## Introduction

- “Contract Management is a broader and more strategic concept that covers the whole procurement cycle including planning, formation, execution, administration and close out of a contract and goes beyond the day to day “administrative” activities in the procurement cycle”. [UN Handbook on Procurement,2006].
- Contract management is the process of managing contract creation, execution, and analysis to maximize operational and financial performance at an organization, all while reducing financial risk. Organizations encounter an ever-increasing amount of pressure to [reduce](#) costs and improve company performance. Contract management proves to be a very time-consuming element of business, which facilitates the need for an effective and automated contract management system.



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## Introduction

- **Contract administration is the management of contracts made with suppliers, contractors, consultants or technical service providers to assure that all the parties comply with and fulfil the terms and conditions of the contract.**
- It includes all dealings between parties to a contract from the time a contract is awarded until the task has been completed and accepted or the contract terminated, payment has been made, disputes have been resolved and the contract closed.
- Contract Administration seeks to manage all actions, after the award of a contract, which must be taken to assure compliance with the contract.



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## Contract Management Vrs Contract Administration

<u>Contract Management</u>	<u>Contract Administration</u>
<b>Relationship focus</b>	Operational focus
<b>Strategic</b>	Tactical
<b>Process development</b>	Process compliance
<b>Longer term time frame</b>	Short-term/transactional
<b>Holist view</b>	Narrow focus
<b>Driven by added value</b>	Driven by key performance indicators



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## Objective of Contract Administration

- The main objectives of Contract Administration are:
  - ✓ the successful delivery of the procurement in a timely and economic manner; and
  - ✓ to ensure performance by all parties in accordance with the requirement of the contract.
- Effective Contract Administration seeks to obtain the goods, construction works and services of the required quantity and standards of quality within the time frame and cost parameters stipulated in the contract in order to satisfy the needs of the end-user.
- Is ensured when control procedures of contract performance are developed to enable the contracting authority/entity to obtain value for money from the contract within the framework of the applicable law.



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## Contract Administrator

- **The need to have a contract administrator**
- **Who appoints the contract administrator? - HOE**
- **S.13 (3)**
  - The Contract Administrator shall
  - manage the obligations and duties of the procurement entity specified in the contract; and
  - ensure that the supplier or contractor performs the contract in accordance with its terms and conditions.
- **Level of Authority?**
  - Critical in defining roles and responsibility of CA



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## Role of Contract Administration

### • Roles of Contract Administration

- Planning for the relationship
- Monitoring its development as the contract proceeds;
- Measuring its achievements and if necessary;
- Taking corrective actions to safeguard the interest of the procurement entity to ensure successful execution of a contract.



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## Role of Contract Administration

- Contract Administration **requires multi-disciplinary skills** which must be adequately coordinated and discharged to have a positive and progressive effect on the outcome of an impeccable tendering process.
- A flawed Contract Administration process will **undoubtedly lead to increased costs and delay in contract completion** and may also expose the contracting authority and entity to legal complications with unpredictable results.

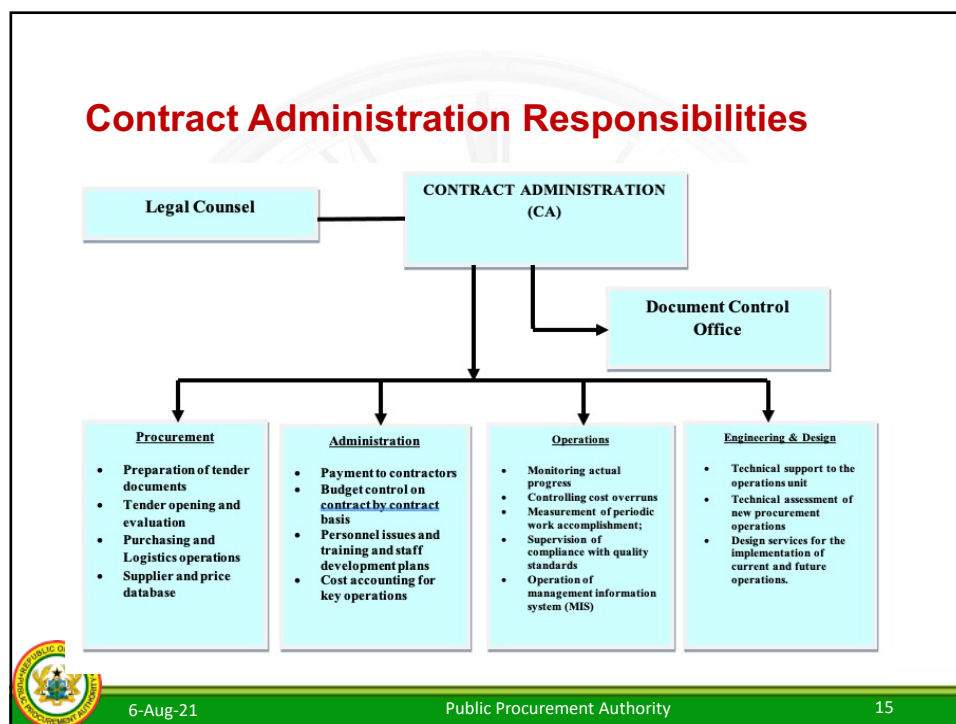


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## Key Indicators of Contract Administration

- Contract Administration Planning
- Monitoring Contract Performance & Reporting
- Managing Contract Changes/Variation
- Processing Payments
- Resolution of Claims & Settlement of Disputes
- Termination of Contract, if any
- Contract Records keeping
- Management of Contract Securities
- Evaluation of Contract Performance
- Contract Close-out



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## Responsibilities of a Contract Administrator

- Participating, as necessary, in developing the solicitation and writing the draft documents. Contract administration must be considered during this process.
- Monitoring the Contractor's performance to ensure that delivery conforms to the contract requirements.
- Authorizing payments consistent with the contract terms.
- Exercising remedies, as appropriate, where a Contractor's performance is deficient.
- Resolving disputes in a timely manner.



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## Responsibilities of a Contract Administrator

- Meeting with the Contractor when the need arises so as to review progress, discuss problems and consider necessary changes.
- Establishing control of correspondence, data and reports.
- Identifying potential problems and solutions.
- Managing any public property used in contract performance.
- Documenting significant events.
- Maintaining appropriate records.



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## Skills of the Contract Administrator

Contract administration is not a clerical activity. The Contract Administrator must be proactive both with the control and with his/her own organization and ideally needs to have the following competencies:

- A basic understanding of procurement policies, procedures and practice,
- An understanding of organizational goal,
- An ability to communicate well both internally and with private sector contractor,
- An ability to operate in a team and as a team leader,
- An understanding of the terms and conditions of the contract being managed and of their significance,
- An understanding of project planning methods,
- The ability to organize and manage effective business meetings, and
- The ability to motivate contractors to meet tough targets.



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## CA/CM – Project Roles and Tasks

### 1) Project Planning and Contract Formation:

- Budget and schedule
- Project administration
- Selection of A/E and Contractors
- Contract drafting
- Contract negotiation

### 2) Post-Contract Award Orientation:

- Plan and conduct an orientation conference
- Introduce project team, facilitate cooperation

### 3) Contract Administration



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## CA/CM – Project Roles and Tasks (cont'd)

### 4) Contract Payments:

- Review payment requisitions
- Assess progress reporting
- Determine proper invoice amounts
- Financial management of cost-reimbursement contracts requires close scrutiny

### 5) Schedule Review and Comment

### 6) Identify and Help Solve Performance Problems: Monitoring performance, identify issues Inspection and acceptance

- Requests for information (RFIs)
- Seek solutions in best interest of Owner
- Schedule re-sequencing/mitigation to avoid delays
- Issue stop-work orders



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## CA/CM – Project Roles and Tasks (cont'd)

### 7) Contract Modifications:

- Define change directives from Employer
- Review change order requests from Contractor
- Demand that Contractor provide full and timely notice and support for all changes, delays, claims
- Assess merit and determine impact of changes
- Facilitate negotiations
- Decide change order requests (dollar or time thresholds?)

### 8) Manage Contract Remedies:

- Consider contract rights, obligations, remedies & liabilities of Owner, but also Contractor/others
- Invoke correct type of remedy
- Owner self-performance, backcharges, damages
- Reduce contract scope or terminate contract



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## Project Roles and Tasks of CA/CM (cont'd)

### 9) Contract Completion and Closeout:

- Substantial completion
- Liquidated or other delay damages
- Retention release or holdback
- Backcharges
- Final completion
- Final payment
- Warranties

### 10) Disputes and Claims:

- Assess and respond to contractor claims
- Assess and assert Owner claims
- Resolve disputes



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## Key Area for Effective CA/CM Contract Administration & Project Success

### 4 areas vital for project success

1. Contract terms and conditions
2. Quality Standards and Controls/Proper Performance Documents
3. Schedule Slippage and Delays
  - Schedule slippage means a delay in project performance which leads to non-meeting of the initially estimated due date of the project completion.
4. Cost Control



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## Effective Contract Administration: Contract Terms & Conditions

### 1. Contract Terms and Conditions

- Effective Contract Admin Begins with a Clear and Project-Relevant Contract
- Define technical requirements: drawings and specs
- Accurately define and reflect role and scope of parties and third parties (e.g., design, performance, inspection, approvals, etc.)
- Schedules and Submittals – define contents, details, milestones, updates, timeliness, turnarounds etc.
- Levels and lines of authority including authorized reps, delegations for all contracting parties
- Communication channels, points of contact
- Notice, reporting and support requirements made clear/practical.
- Regular, accurate and meaningful status reports
- Liabilities for errors, failure to perform and “other” events



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## Effective Contract Administration: Contract Terms & Conditions

- **Contract terms and conditions (cont'd)**
- **Know the contract:** Know the terms, scope of work, technical requirements, specifications, rights and obligations of both Employer/Owner and Contractor.
- **Stay informed:** Meet regularly w/ Contractor to understand plan, performance progress, schedule, issues, problems, etc.
- **Credibility:** Knowing the contract establishes credibility and authority.
- **Communication:** Establish effective methods, both verbal and written.
- **Critical & Independent Thought:** CM/CA must provide its own review/evaluation of plan, progress, schedules, pay reqs, modifications, etc.



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## Effective Contract Administration: Quality Standards & Controls

### 2. Defined Quality Standards and Controls:

- National & International Standards
- Building Codes
- Technical Standards (e.g., **SMM7, CESMM3**)
- Workmanship Standards
- General industry standard?
- Standard for certain industry? Specify industry
- Best available practices?
- Materials
- Name brand, best available, performance based?
- Inspection & Testing
- Warranty



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## Effective Contract Administration: Proper Performance Documentation

### 3. *Require Proper Performance Documentation*

- Schedule requirements—/milestones/updates
- Progress Reports
- Change order requests
- Delay notifications
- Defective work, non-conformances & variances
- Payment applications
- Schedule of values for progress payments
- Inspection and test records
- Time Extensions
- Reservation of rights –claim waivers in pay apps.



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## Effective Contract Administration: Schedule Slippage and Delays

### 4. *Schedule Slippage and Delays:*

- *What if Contractor's Schedule Slips or Fails to Meet Project Milestone or Completion Dates:*
  - Assess reasons for schedule slippage
  - Demand recovery schedule?
  - Consider acceleration options and cost
  - Damages for delay? Delay due to Employer?
  - Termination?
    - Failure to make progress or deliver on time.
    - What options does the contract provide? (Default? Convenience? Waiver? Consider risk of damages if T/D is improper. Termination typically is last resort.



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## Lessons Learned

1. **Contract Planning**—What can be done better?
2. **Project Goals:** Properly evaluate objectives? Priorities?
3. **Tender Process and Contract Award**
  - tenderers underestimate?
  - Technical difficulty excessive, unnecessary?
  - Contractor qualifications, personnel, resource
4. **Progress Reporting**—Did we request and receive
  - needed information?
5. **Keep Management Informed**—Was Employer's upper management timely and well-informed?



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## Lessons Learned (cont'd)

6. **Timeliness**— Did we meet our obligations? Submittal reviews and approvals? Change order responses? Were we responsive and decisive to contractor's needs and requests?
7. **Employer's Knowledge and Experience**— Did we have available to resources needed? Did we ask for assistance, if needed? Was our own staff sufficiently skilled?
8. **Problem Resolution**—Did we address and resolve problems effectively? Timely?
9. **Disputes**—Did we resolve disputes effectively?



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## Lessons Learned (cont'd)

### 10. Force Majeure and External Events

- Weather
- Strikes, Civil Unrest
- Events outside anyone's control

### 11. Complex Technical Problems

- Design or technical requirements unnecessarily complex/novel
- Technological advancements
- Was the latest and greatest really necessary?

### 12. Errors/Conflicts in Design & Specifications

### 13. Identifying the Positives—What was done well



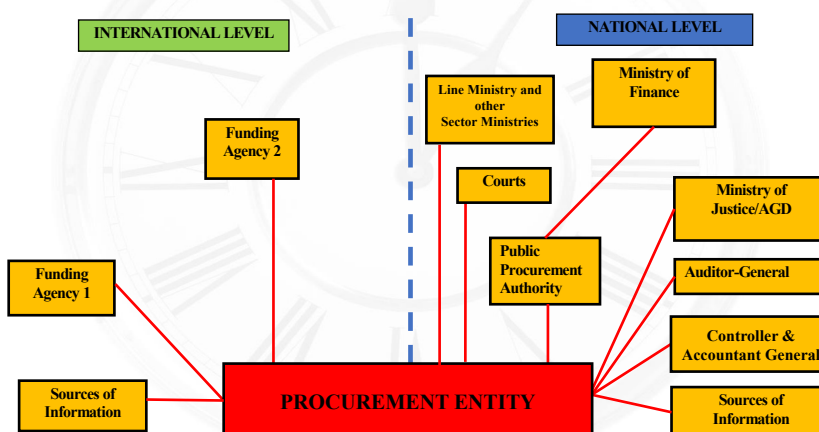
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## Institutional Arrangements for Contract Administration in Ghana



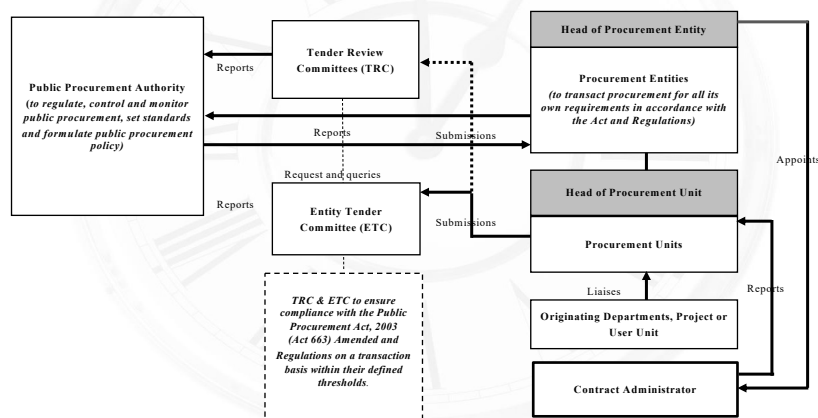
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## Organization of Principal Procurement Bodies/Structures for Contract Administration



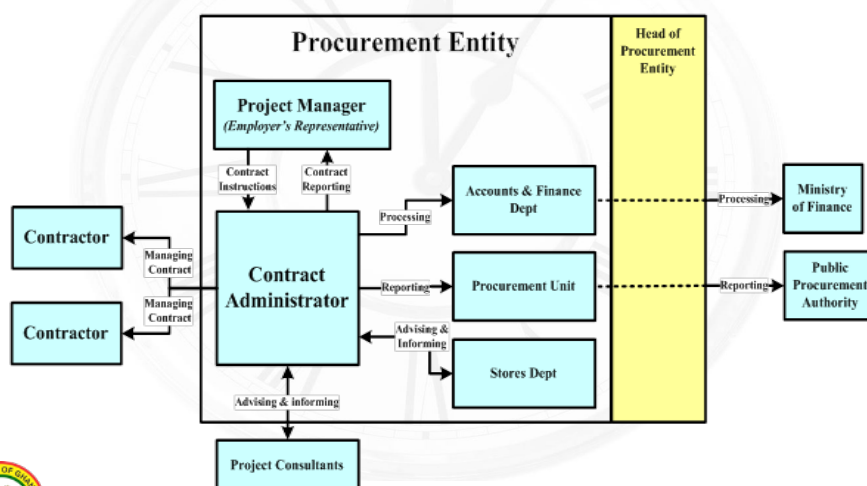
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## Contract Administration for Works



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## Important Parties in a Goods Contract

- **The Procurement Entity/Purchaser**

The Procurement Entity is an entity conducting public procurement under Act 663 as Amended. The Procurement Entity sources for an item in order to satisfy a need.

- **The Supplier**

The Supplier is any potential party or the party to a procurement contract with the procurement entity. The Supplier delivers the item ordered by the Procurement Entity at a cost.

The two parties- **Procurement Entity and Supplier**- and their assigns are bound by the terms and conditions of the contract



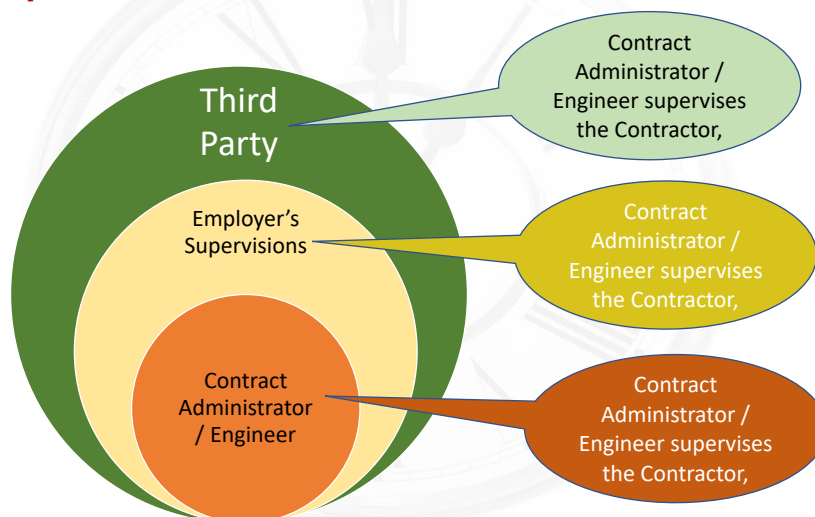
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## Important Parties to a Works Contract



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## Closing Comments and Take Aways

1. Define project goals and objectives early on; prioritize.
2. Assess accurately Employer's internal capabilities.
3. Retain CA/CM early; make part of Project Team.
4. Define CA/CM's authority and roles w/above in mind.
5. Prepare contract terms and conditions that accurately reflect project goals, relationships, risk allocation.
6. Demand accurate and regular progress updates.
7. Demand accurate and regular project documentation.
8. Timely actions and responses (e.g., changes, claims).
9. Accept that every project has risk; **think about risk management**. Full risk avoidance is virtually impossible and just too expensive



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THANK YOU



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