



Results-Driven Contracting

Office of the City Auditor
June 2019

Description of Special Project

Why we did this project

Mayor Bynum made the decision to seek What Works Cities (WWC) certification, a program for local government sponsored by Bloomberg Philanthropies. The program is described as "...the standard of excellence for data-driven local government. The program's 45 criteria outline the people, processes and policies foundational to a well-managed city." Tulsa was selected to be an early participant in the program to give feedback to Bloomberg Philanthropies on the certification program.

The Mayor's Office requested Internal Auditing to review evidence related to the WWC Results-Driven Contracting section. This review provides insight as to the status of compliance with WWC criteria, as well as recommended steps for achieving compliance.

How we did this project

The review started with the seven criteria in the Results-Driven Contracting section. The Mayor's Office had determined all the City's contracting is handled by staff in either the Purchasing Division of the Finance Department ("Purchasing") or the Engineering Services Department ("Engineering") and had obtained relevant information from them.

Internal Auditing completed the following steps:

- Reviewed the Purchasing and Engineering documentation and other information to determine whether evidence of compliance with the WWC criteria exists.
- Provided recommendations/best practices when there was no evidence of the criteria being met.
- Reviewed the seven Results-Driven Contracting criteria to give feedback for viability in the City's contracting structure and processes.

Internal Auditing set up a matrix to capture the results of the review of the City's documentation and responses to the WWC criteria. This matrix summarizes the results of both Purchasing (Exhibit 1) and Engineering (Exhibit 2). Evidence and documentation that met WWC criteria was recorded in the matrix with a short description and/or reference to the page number within the documentation where the evidence exists. If no compliance evidence was found, this was noted in the matrix.

The seven criteria of Results-Driven Contracting are listed below. The full text of the criteria is included in Exhibit 3.

1. Defined strategic goals and desired outcomes for key procurements, contracts, and/or grants
2. Measurement of outcome, impacts, and/or cost-effectiveness for key procurements, contracts, and/or grants
3. Mechanisms for comparing the performance of similar contractors and determining which are the most effective

4. Alignment of vendor incentives with the City’s strategic goals
5. Active management of contracts, using performance data to troubleshoot challenges and achieve desired outcomes, by engaging with contractors at least monthly during the contract
6. Review of performance data to inform future contracting decisions, including the selection of vendors, renewal of contracts, and/or expansion of existing scopes.
7. Proactive sharing of data, documents, and information about contracts, procurement, and/or vendor performance to increase bid competitiveness and strengthen procurement transparency and accountability

Project Results

Review of Purchasing Division

Three example contracts were provided as evidence. These contracts met criteria #1, 2, 4, and 5. For criteria 6, evidence was found in two of the three contracts. For criteria 3 and 7, no evidence was found in any of the three contracts.

Purchasing Summary Table – See Exhibit 1 for full details

	Criteria	TAC 737A – Management of BOK Center	TAC 1030/1031 – ERP System & Permitting	TAC 923A – Janitorial Services for OTC
1	Strategic goals	Included	Included	Included
2	Defined outcomes	Included	Included	Included
3	Vendor comparison	Not found	Not found	Not found
4	Goal alignment	Included	Included	Included
5	Active contract management	Included	Included	Included
6	Review vendor performance	Included	Not found	Included
7	Performance information	Not found	Not found	Not found

Review of Engineering Services Department

One example contract was provided as evidence, as well as the Contractor Pre-Qualification Ordinance, Consultant Selection Executive Order, and a Consultant LOI/Statement of Qualifications Letter example. Evidence was found in the one example contract that met criteria #1, 2, and 4. Although specific evidence was not found in the example contract for criteria 3 and 6, these criteria were addressed in the Contractor Pre-Qualification Ordinance and/or the Consultant LOI/Statement of Qualifications Letter. For criteria 5 and 7, there was no evidence in either the example contract or other supporting documentation.

- ▶ Internal Auditing observed that once a contractor passes the pre-qualification criteria and is pre-qualified to bid, there is no formal ongoing review and documentation of contractor performance to determine whether performance is satisfactory, and the contractor continues to meet prequalification criteria.

Engineering Summary Table – See Exhibit 2 for full details

	Criteria	Southridge Estates Unsewered Area	Pre-qualification Ordinance	Executive Order/	LOI/Statement of Qualifications
1	Strategic goals	Included	N/A	Included	Included
2	Defined outcomes	Included	Included	N/A	N/A
3	Vendor comparison	Not found	Included	N/A	Included
4	Goal alignment	Included	N/A	N/A	N/A
5	Active contract management	Not found	Not found	Not found	Not found
6	Review vendor performance	Not found	Included	N/A	N/A
7	Performance information	Not found	Not found	Not found	Not found

Review of WWC criteria

No recommendations or changes are recommended. All criteria seemed satisfactory and applicable to the City.

Best Practices Research

Best practices for tracking contractor performance starts with determining applicable Key Performance Indicators (KPIs). Examples KPIs include:

- General KPIs applicable to all contractors, such as adherence to the terms of the contract, timeliness of performance, and staying within budget.
- Specific KPIs applicable to certain departments or contractors. Similar contractors could be grouped together and evaluated using the same KPIs.
- A standard rating system could be identified to rate contractor performance.

The next step would be to determine a method for tracking KPIs and performance results. Some commonly used methods include evaluation forms, surveys, dashboards, and balanced scorecards. There are also software applications and systems that can be used to track and store performance results. How often to update and review results will need to be determined. At a minimum, an annual update and review should be completed.

Recommendations

Internal Auditing recommends the following actions to achieve compliance with WWC criteria #3, 5, and 7:

- Contractor performance should be evaluated on an ongoing and periodic basis. Implement contractor evaluations, such as scorecards or dashboards, that would compare contractors across a consistent set of metrics. This could be used in prequalification and selection processes, as well as evaluating contractor performance on an ongoing basis.
- Maintain an information repository or database for tracking contractor information and performance data to allow data to be shared across the City. This data would

support decisions related to the retention of current contractors and selecting them for new projects.

- Engineering should capture records related to contractor performance. Much of this type of documentation currently exists in handwritten notes. It is recommended that these records be captured electronically and stored for easy retrieval.
- Contractors often use sub-contractors to assist in completing the requirements of the contract. In many cases, the City is not aware of the credentials and performance history of the sub-contractors. To the extent allowed within the structure of the contract, it is recommended the City monitor sub-contractors, capture their credentials, and track their past and current performance.

Exhibit 1

Purchasing Division - WWC Results-Driven Contracting Criteria Review/Results

	WWC Criteria	Specific Criteria Definition	Self-Assessment	Purchasing- TAC 737A- Management of BOK Center	Purchasing- TAC 1030/1031- ERP System & Permitting	Purchasing- TAC 923A- Janitorial Services for OTC
1	Defined Strategic Goals	Strategic goals and desired outcomes should be specific, clearly stated, and make sense	Yes	Scope of Services defined in pages 6-11 of the contract	Scope of Services defined in pages 49-68, and pages 110-111, of the PDF for document "1030.3", and on pages 44-64 of the PDF for document "1031".	Scope of Services defined in pages 24-41 of the PDF.
2	Defined Desired Outcomes	Metrics for tracking outcomes, impacts, and/or cost effectiveness of contracts. Be able to identify when performance is off track.	Yes	Records, Audits, and Reports defined in pages 18-20 of the contract, including Annual Plan and monthly reports.	Documentation of outcomes and impacts defined on page 68, and project status reports defined on page 127-130, of the PDF for document "1030.3". See page 63 and page 155 of the PDF for document "1031".	Metrics for tracking outcomes defined in pages 32-40 of the PDF.
3	Mechanisms to compare vendor performance	Vendor score cards/report cards or dashboards comparing vendors across a consistent set of metrics.	No	Not found	Not found	Not found
4	Align vendor incentives with local government strategic goals	Procurement structure and payment mechanism setup to best achieve desired outcomes.	Yes	Compensation/Incentives defined in pages 12-15 of the contract (and page 318 of PDF).	Compensation/Pricing defined on pages 30-39 of the PDF for document "1030.3", and on pages 25-34 of the PDF for document "1031".	Pricing defined on page 42 of the PDF.
5	Actively manage contracts	Actively manage contracts using performance data to troubleshoot challenges and achieve desired outcomes and engaging with contractors at least monthly.	Yes	Records, Audits, and Reports defined in pages 18-20 of the contract, including Annual Plan and monthly reports.	Project status reports defined on page 127-130, of the PDF for document "1030.3", and page 155 of the PDF for document "1031".	Active management of contract to achieve desired outcomes defined in pages 70-71 of the PDF.
6	Review vendor performance to inform future decisions	Review vendor performance data to inform future contracting decisions, including the selection of vendors, renewal of contracts, and/or expansion of existing scopes.	Yes	Letters of Rec and Bidder's Background, Qualifications, and Experience in pages 53-164 of PDF.	Not found	Review vendor data to inform contracting decisions and selection of vendor shown in pages 80-90 of the PDF.
7	Share contract info/vendor performance	Proactively share data, documents, and info about contracts, procurement, and/or vendor performance to increase bid competitiveness and strengthen procurement transparency and accountability.	No	Not found	Not found	Not found

Note 1: Purchasing provided 3 example contracts to document whether the criteria were being met, as described in the 3 right-most column headers.

Note 2: Purchasing provided a self-assessment that 5 of the 7 criteria were being met as shown in the "Self-Assessment" column above.

Exhibit 2

Engineering Services Department- WWC Results-Driven Contracting Criteria Review/Results

	WWC Criteria	Specific Criteria Definition	Self-Assessment	Design Agreement Southridge Estates Unsewered Area	Pre-qualification Ordinance	Consultant Selection Executive Order/Statute	Consultant LOI/ Statement of Qualifications Letter
1	Defined Strategic Goals	Strategic goals and desired outcomes should be specific, clearly stated, and make sense	Yes	Scope of Services defined on page 6 of the PDF, Attachments A & B on pages 15-21 of the PDF, and page 31-32 of the PDF.		City of Tulsa policy: Procure professional and professional consulting services through a fair and unbiased competitive selection process established by Mayoral executive order, "Consultant Selection" – Page 2, and Oklahoma statutes Title 61	Responses are scored and selected according to defined point allocation – page 1 of PDF. The design fee is negotiated after a design firm is selected based on qualifications.
2	Defined Desired Outcomes	Metrics for tracking outcomes, impacts, and/or cost effectiveness of contracts. Be able to identify when performance is off track.	Yes	Pricing defined on page 6 of the PDF, and Reports/Records defined on page 22 of the PDF.	Pre-qualification status can be revoked or modified, based on several factors. See page 3-4 of PDF. Contractors are re-evaluated on an annual basis		
3	Mechanisms to compare vendor performance	Vendor score cards/report cards or dashboards comparing vendors across a consistent set of metrics.	Yes	Not found	Consideration of contractors is based on several listed criteria including financial information and successful work history. Pages 1-2 of PDF		Responses from the interested consultants are scored and selected according to the defined point allocation.
4	Align vendor incentives with local government strategic goals	Procurement structure and payment mechanism setup to best achieve desired outcomes.	Yes	Pricing defined on page 6 of the PDF, Attachment D on pages 23-29 of the PDF, and page 32 & 35 of the PDF.			
5	Actively manage contracts	Actively manage contracts using performance data to troubleshoot challenges and achieve desired outcomes and engaging with contractors at least monthly.	Yes	Not found			
6	Review vendor performance to inform future decisions	Review vendor performance data to inform future contracting decisions, including the selection of vendors, renewal of contracts, and/or expansion of existing scopes.	Yes	Not found (See Pre-qualification Ordinance)	Consideration of contractors is based on performance record/successful work history, as defined on pages 1-2 of PDF.		
7	Share contract info/vendor performance	Proactively share data, documents, and info about contracts, procurement, and/or vendor performance to increase bid competitiveness and strengthen procurement transparency and accountability.	Yes	Not found			

Note 1: Engineering provided 1 example contract and 3 additional policies/supporting documents to document whether the criteria were being met, as described in the 4 right-most column headers.

Note 2: Engineering provided a self-assessment that 7 of the 7 criteria were being met as shown in the "Self-Assessment" column above.

Exhibit 3

What Works Cities - Results-Driven Contracting Criteria

Results-Driven Contracting

1. Your local government defines strategic goals and desired outcomes for key procurements, contracts, and/or grants.

- Goals and desired outcomes should be specific, clearly stated, and should make sense in the context of the product or service being acquired

Required Supporting Documentation:

- Three unique examples of either procurements (e.g.), RFPs, RFQs), contracts, or grants to acquire two different goods or services (i.e., they cannot be three contracts for shelter services, but could be an RFP for shelter services, an RFP for supportive housing, and a contract for transitional housing).
- For each submitted procurement, list the page number on which we can find defined strategic goals.

2. Your local government measures outcomes, impacts, and/or cost-effectiveness for key procurements, contracts, and/or grants.

- Your local government should clearly specify metrics to measure outcomes, impacts and/or cost-effectiveness within the procurement, contract, and/or grant. These metrics should be aligned with the strategic goals and desired outcomes of the key procurements, contracts, and/or grants, and should allow your local government to track progress toward these goals.

Checklist (Must meet 1 of 1):

- Your local government uses a performance tracking system to flag when vendor performance is off-track during the course of the contract.

Required Supporting Documentation:

- Evidence must be supported by the same examples used in the first Results-Driven Contracting criterion.
- For each submitted procurement, list the page number on which we can find metrics aligned with strategic goals.

3. Your local government has mechanisms in place to compare the performance of similar contractors and determine which are most effective.

Required Supporting Documentation:

- Materials used to track data for comparing vendor performance such as vendor report cards, dashboards comparing vendors across a consistent set of metrics, and/or reports with process and outcome metrics for at least one product or service type.
- Examples of contracts with vendors providing similar products or services that outline consistent metrics and/or performance reports of similar vendors.

4. Your local government structures procurements, contracts, and/or grants to align the vendor's incentives with the local government's strategic goals.

- To qualify, you may demonstrate structuring the procurement, contract, and/or grant in terms of any of the following, based on desired outcomes: 1. Procurement vehicle (e.g., problem-based, agile, or design build structures) 2. Contract type/Payment mechanism (e.g., fixed-price, cost-type, performance-based, etc.) 3. Vendor selection criteria 4. Scope of work

Required Supporting Documentation:

- Evidence must be supported by the same examples used in the first Results-Driven Contracting criterion.
- For each submitted procurement, list the page number on which we can find how the procurement aligns the vendor's incentives with the local government's strategic goals.

5. Your local government actively manages contracts, using performance data to troubleshoot challenges and achieve desired outcomes, by engaging with contractors at least monthly during the course of the contract.

Checklist (Must meet 2 of 2):

- Your local government collects and shares performance data with and from vendors.
- Your local government engages contractors at least quarterly to course correct when challenges are identified. Meetings for primarily compliance purposes do not qualify.

Required Supporting Documentation:

- Evidence should be supported by the same examples used in the first Results-Driven Contracting criterion. If the information does not exist in the submitted contracts, please provide examples of how performance data was used to identify a challenge and how the local government then engaged with the vendor to design a course correction during the contract term.

- For each submitted procurement, list the page number on which we can find how performance data is used to identify challenges.

6. Your local government reviews vendor performance data to inform future contracting decisions, including the selection of vendors, renewal of contracts, and/or expansion of existing scopes.

Required Supporting Documentation:

- An explanation of how the materials uploaded for RDC3 are shared across departments.

7. Your local government proactively shares data, documents, and information about contracts, procurement, and/or vendor performance, in order to increase bid competitiveness and strengthen procurement transparency and accountability.

Checklist (Must meet 2 of 2):

- Your local government shares data on contracting using Open Contracting Data Standard requirements.
- Your local government shares a list of downloadable and machine readable catalog of previous contracts, as well as procurements set to expire or upcoming in the next 6–12 months. For contracts set to expire, data fields must include project name, project description, estimated timing, estimated dollar size.

Required Supporting Documentation:

- Link to shared data, documents, information about contracts, procurement and/or vendor performance.