Office of Operations
2010 Fall Conference

Contract Monitoring

Elizabeth Bogdanowicz
Joseph Morrissey, MBA, CGAP
Roslyn Watrobski, CFE, CIA, CGAP
Agenda

- Monitoring Discussion
- Six Step Monitoring Process
- Case Study
Why Monitoring is Necessary

- Program missions
- Millions in State spending
- Risks
  - Health & safety
  - Goal achievement
  - Dollars
  - Reputation
- Fraud
- Errors
Monitoring

- Ongoing activities, special evaluations or a combination of both used to ensure that controls are operating as intended.
Benefits of Monitoring

- Reduces risk of fraud, waste and abuse
  - Increases employees’ knowledge
  - Sets payee’s expectations
- Get what was intended
- Provides basis for payment
Who Should Monitor?

- Program staff
- Fiscal staff in procurement, payment, etc.
- Independent monitors and consultants
- Internal auditors
- External auditors
When to Monitor

- Timing
  - Beginning?
  - End?
  - During?
- Extent
  - How much monitoring should you do?
Monitoring Challenges
Things that Help or Hinder

- Management support
- Vendor relationships
- Differing priorities
  - Vendor, program and audit
Things that Help or Hinder

- Resources
  - Data
  - Tools
  - Staffing
Things that Help or Hinder

- Knowledge, skills and abilities
  - Embraces role as monitor
  - Understands contract terms
  - Adept at conflict management
  - Exercises professional skepticism
  - Obtains useful information
Things that Help or Hinder

- Contract Terms
Contract Terms

- SMART
  - Specific
  - Measurable
  - Achievable
  - Relevant
  - Time-bound
Contract Terms

- Clear, Detailed and Easily Understood
- Deliverables
  - Description
  - Benchmarks
- Location
Contract Terms

- Performance measures
  - Quantities
  - Timing
  - Expertise
    - Licenses
    - Degrees
    - Test results
Contract Terms

- Payment provisions
  - Payment triggers
  - Invoice formats
    - Description of deliverable
  - Services
    - Time and attendance records
    - Installation dates
Contract Terms

- Reporting
  - Requirements
    - What
      - Electronic/paper
    - When
  - Records retention
Contract Terms

- Right to audit
  - Specific monitoring in contract language
- Penalties for non-compliance
Monitoring Process

Six-step Process:

1. Identify contracts to monitor
2. Understand contract requirements
3. Identify risks
4. Prioritize risks
5. Design monitoring activities
6. Follow up
Step 1. Identify Contracts

- What data do you have available?
- What data do your sister agencies have available?
- What data does OSC have available?
- How can it help you identify risky contracts?
Risks

- Health and Safety
- Goal Achievement
- Dollars
- Reputation
Risks – Data Analysis

- # Contracts with same payee
- $ Contracts with same payee
- % $ v time expended
- Start date (old)
- Start date (new)
- High $ contract
- Low $ contract
- Location
- Contract description
- Contract category code
Step 2. Understand Requirements

- Contract terms
- Purchase order details
- Laws, rules and regulations
- Guidelines
- Intuition?
- Conversation?
Understand Requirements

- Ask this:
  - Would I know how to verify whether something has occurred based on how the contract term is written?
Example

The vendor shall submit a properly executed application for payment, together with appropriate backup supporting the amount billed.
Better Example

The vendor shall submit an electronic invoice for payment each month, detailing the names, titles, hourly rates, and hours worked for each consultant working during the previous month. The vendor shall also attach certified payroll records relating to the services on each invoice.
Understand Requirements

- Programmatic
- Fiscal
Programmatic Requirement

Contract Term

For every test, at least 2 service technicians will test all fire alarm control panels and peripheral devices according to NFPA 72. Vendor shall complete and submit all documentation and records.
Fiscal Requirement

**Contract Term**

For every test, at least 2 service technicians will test all fire alarm control panels and peripheral devices according to NFPA 72. Vendor shall complete and submit all documentation and records.
Step 3. Identify Risks

- Programmatic
  - What can prevent goal accomplishment?

- Fiscal
  - How can the payee get money they didn’t earn?
Identify Risks
Welcome to Google Alerts

Google Alerts are email updates of the latest relevant Google results (web, news, etc.) based on your choice of query or topic.

Some handy uses of Google Alerts include:

- monitoring a developing news story
- keeping current on a competitor or industry
- getting the latest on a celebrity or event
- keeping tabs on your favorite sports teams

Create an alert with the form on the right.

You can also sign in to manage your alerts
Some Key Words

- Bribe
- Conspiracy to defraud
- Fraud
- Fraudulent
- Embezzle
- False instrument
- Kickback
- Vendor names
- Program names
Programmatic Monitoring

What can go wrong programmatically?

Contract Term

For every test, at least 2 service technicians will test all fire alarm control panels and peripheral devices according to NFPA 72. Vendor shall complete and submit all documentation and records.
Programmatic Monitoring

**Contract Term**
For every test, at least 2 service technicians will test all fire alarm control panels and peripheral devices according to NFPA 72. Vendor shall complete and submit all documentation and records.

**What can go wrong programmatically?**
Vendor may not perform tests according to NFPA 72.
Fiscal Monitoring

**Contract Term**

For every test, at least 2 service technicians will test all fire alarm control panels and peripheral devices according to NFPA 72. Vendor shall complete and submit all documentation and records.

**What can go wrong fiscally?**
Fiscal Monitoring

**Contract Term**
For every test, at least 2 service technicians will test all fire alarm control panels and peripheral devices according to NFPA 72. Vendor shall complete and submit all documentation and records.

**What can go wrong fiscally?**
Vendor may not use at least 2 service technicians per test, but could charge for 2 or more.
Step 4. Prioritize Risks

- **Area of Minimal Concern** (II)
- **Area of Moderate Concern** (III)
- **Area of Least Concern** (I)
- **Area of Most Concern** (IV)

Likelihood:
- HIGH
- LOW

Impact:
- HIGH
- LOW
Prioritize Risks

- Avoid the risk
- Accept the risk
- Manage the risk
Step 5. Design Monitoring Activities

- Describe the activity
  - Who’s going to do it?
  - How are they going to document it?
  - What are they going to do with the documentation?
How will they do it?

- Observation
- Analysis
- Independent / outside oversight
- Surprise visit
- Audit of vendor records
- Comparison to industry standards
Programmatic Monitoring

**Contract Term**
For every test, at least 2 service technicians will test all fire alarm control panels and peripheral devices according to NFPA 72. Vendor shall complete and submit all documentation and records.

**What can go wrong programmatically?**
Vendor may not perform tests according to NFPA 72.
# Programmatic Monitoring

<table>
<thead>
<tr>
<th>Contract Term</th>
<th>What can go wrong programmatically?</th>
<th>How agency can monitor</th>
</tr>
</thead>
<tbody>
<tr>
<td>For every test, at least 2 service technicians will test all fire alarm control panels and peripheral devices according to NFPA 72. Vendor shall complete and submit all documentation and records.</td>
<td>Vendor may not perform tests according to NFPA 72.</td>
<td></td>
</tr>
</tbody>
</table>
## Programmatic Monitoring

<table>
<thead>
<tr>
<th>Contract Term</th>
<th>What can go wrong programmatically?</th>
<th>How agency can monitor</th>
</tr>
</thead>
<tbody>
<tr>
<td>For every test, at least 2 service technicians will test all fire alarm control panels and peripheral devices according to NFPA 72. Vendor shall complete and submit all documentation and records.</td>
<td>Vendor may not perform tests according to NFPA 72.</td>
<td>At the contract start date, the Director of Facilities Planning will compare technicians’ documentation to the NFPA 72 requirements. If the technicians documentation does not conform with NFPA 72, require Vendor to correct documentation, or provide a compliant form for technicians to use.</td>
</tr>
</tbody>
</table>
**Programmatic Monitoring**

**Contract Term**
For every test, at least 2 service technicians will test all fire alarm control panels and peripheral devices according to NFPA 72. Vendor shall complete and submit all documentation and records.

**What can go wrong programmatically?**
Vendor may not perform tests according to NFPA 72.

**How agency can monitor**
Require technicians to forward test results to the Director of Facilities Planning at the end of each test. Review for compliance with NFPA 72 standards. If not in compliance, contact Vendor to resolve.
Fiscal Monitoring

**Contract Term**
For every test, at least 2 service technicians will test all fire alarm control panels and peripheral devices according to NFPA 72. Vendor shall complete and submit all documentation and records.

**What can go wrong fiscally?**
Vendor may not use at least 2 service technicians per test, but could charge for 2 or more.
## Fiscal Monitoring

### Contract Term
For every test, at least 2 service technicians will test all fire alarm control panels and peripheral devices according to NFPA 72. Vendor shall complete and submit all documentation and records.

### What can go wrong fiscally?
Vendor may not use at least 2 service technicians per test, but could charge for 2 or more.

### How agency can monitor
# Fiscal Monitoring

<table>
<thead>
<tr>
<th>Contract Term</th>
<th>What can go wrong fiscally?</th>
<th>How agency can monitor</th>
</tr>
</thead>
<tbody>
<tr>
<td>For every test, at least 2 service technicians will test all fire alarm control panels and peripheral devices according to NFPA 72. Vendor shall complete and submit all documentation and records.</td>
<td>Vendor may not use at least 2 service technicians per test, but could charge for 2 or more.</td>
<td>Require technicians to sign in and sign out with Director of Facilities Planning on each day the technicians test fire alarm control panels and peripheral devices. Send sign-in sheets to Accounts Payable.</td>
</tr>
</tbody>
</table>
Fiscal Monitoring

**Contract Term**
For every test, at least 2 service technicians will test all fire alarm control panels and peripheral devices according to NFPA 72. Vendor shall complete and submit all documentation and records.

**What can go wrong fiscally?**
Vendor may not use at least 2 service technicians per test, but could charge for 2 or more.

**How agency can monitor**
At least twice a month, a staff person from Facilities Planning shall observe and count the technicians who are performing the testing. This staff person shall report the count to Accounts Payable.
Step 6. Follow Up on Problems

- Corrective action
- Withhold payment
- Terminate contract
- Other?
How do you monitor?

- Participant discussion
- Best Practices
Contact Information

- Elizabeth Bogdanowicz  
  ebogdanowicz@osc.state.ny.us, 518-486-3019

- Joseph Morrissey, MBA, CGAP  
  jjmorrissey@osc.state.ny.us, 518-474-3025

- Roslyn Watrobski, CFE, CIA, CGAP  
  rwatrobski@osc.state.ny.us, 518-402-4228