## **Arkansas Joint Performance Review Procurement Recommendations**

December 10, 2015

#### **RFP and RFQ Best Practices**

- A good contract starts with a strong RFP. It should
  - Attract the widest number of qualified vendors
  - Clearly specific what work the agency wants the vendor to do and what performance levels are acceptable
  - Provide complete information for the vendor to price the work accurately
  - Be specific about what's required
  - Be flexible when possible to allow the vendors to be creative in driving the cost down.

### Scope of the RFP or RFQ

- Match the agency requirements with the most common market offering. Recognize where the State can save money by conforming to what the marketplace offers.
- Seek vendors who routinely do this kind of work.
- Determine the importance of innovation versus proven track record and specify what you value most.
- Specify a duration that makes sense in that marketplace
- Consider what happens at the end of the contract. What materials should the State own at the conclusion of this vendor's work?

## **Clarify Requirements**

- Most vendors will strive to give the agency exactly what they asked for.
- Be specific in requirements for what State wants done, how it should be done, when it should be done, how robust the solution must be, and who will decide whether it is "good enough."
- Be flexible if the State is truly open to alternative approaches. This
  gives the vendor flexibility to offer lower cost solutions.
- Don't confuse flexibility with lack of detail in State requirements.
- Be more specific in performance indicators. They are quantitative standards that the vendor must continuously meet. They should not be a restatement of the scope of work. They measure how well the vendor met or exceeded the minimum standard for performance.

#### **Performance Indicators**

- Should motivate not overly penalize or you won't have anyone want to bid on the work
- Should be clear
- Should focus on measures the vendor has control over
- Better to focus on a reasonably small number of measures than a huge list. Typically 5 – 20 measures. Typically performance is measured monthly.
- Liquidated damage amounts vary between performance indicators based on the relative importance of that measure.
- Performance standards can vary. Can establish a minimum to avoid liquidated damages, a level to avoid a corrective action plan, and a level to allow for "earn back."
- Earn backs are typically easier for state agencies to manage than incentives.

# **Example – Liquidated Damages on a** \$3.6 million annual contract value

Performance Measure	% of the fees at risk	Dollar amount at risk for failure to perform on this measure
Measure # 1	10%	\$ 3,000
Measure # 2	20%	\$ 6,000
Measure # 3	5%	\$ 1,500
Measure # 4	30%	\$ 9,000
Measure # 5	10%	\$ 3,000
Measure # 6	10%	\$ 3,000
Measure # 7	5%	\$ 1,500
Measure # 8	5%	\$ 1,500
Measure # 9	20%	\$ 6,000
Measure # 10	10%	\$ 3,000
Measure # 11	20%	\$ 6,000
Measure # 12	10%	\$ 3,000
Measure # 13	25%	\$ 7,500
Measure # 14	5%	\$ 1,500
Measure # 15	15%	\$ 4,500
Total	200%	Capped at \$30,000 maximum per month

#### **Performance Indicator Thresholds**

Performance Measure – Year 1 of the Contract	Minimum Performance Level to Avoid Liquidated Damages	Minimum Performance Level to Avoid a Corrective Action Plan	Minimum Performance Level to Earn Back a Prior Liquidated Damage Assessment
Measure # 1	5,000 units processed	4,500 units processed	6,000 units processed
Measure # 2	90% quality rate	87% quality rate	95% quality rate
Measure # 3	97% accuracy rate	95% accuracy rate	99% accuracy rate
Measure # 4	500 units completed	400 units completed	600 court units completed
Measure # 5	700 units processed	600 units processed	800 units processed