# 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 |