



A Quick Guide to Hiring a Contractor

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Technical Note

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Abstract

This technical note presents information on the process of hiring a contractor to provide goods and/or services. The process described can be used for either simple or complex contracts. This note describes what a requirements definition is, a request for proposals, a statement of work, and evaluation criteria and methodology. In addition, helpful tips on the contracting process, a sample template, and electronic resources have also been included in this note.

Résumé

La présente note technique présente de l'information sur le processus d'embauche d'un entrepreneur pour la fourniture de biens et/ou de services. On peut suivre le processus ainsi décrit aussi bien pour les contrats simples que pour les contrats complexes. Cette note décrit en quoi consistent une définition des exigences, une demande de propositions, un énoncé des travaux, des critères d'évaluation et une méthodologie. La note fournit en outre des conseils utiles concernant le processus d'adjudication de contrats, et elle contient un modèle et de l'information sur des ressources électroniques.

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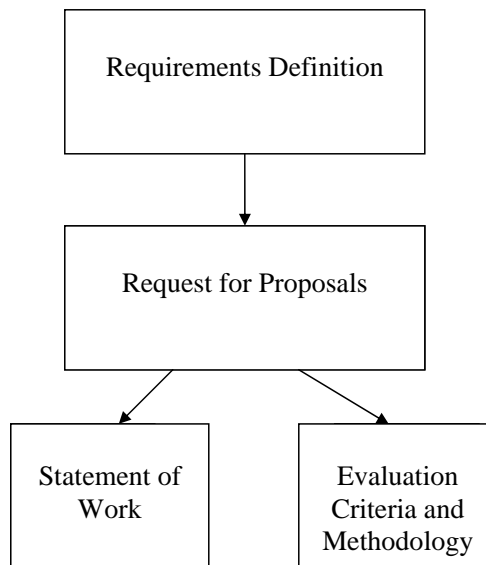
Acknowledgements

This technical note is based on the course, Developing a Statement of Work and Selection Criteria, by the Canada School of Public Service (www.myschool-monecole.gc.ca).

1 Introduction

This technical note serves as a quick guide to the process involved in hiring a contractor to supply goods and/or services. There are two types of contracts: simple and complex. The difference between these two types of contracts are the material and detail required to write the contract, and the time and effort needed to manage the contracting process. A simple contract requires less material and detail, and less time and effort than a complex contract. Therefore, the overall process described in this technical note works for creating both simple and complex contracts. The steps involved in the contracting process are: creating a requirements definition, a request for proposals, a statement of work, and evaluation criteria and methodology.

Figure 1: Steps Involved in Creating a Contract



In addition to offering a brief description of the steps involved in creating a contract, this technical note will provide helpful tips, a sample template, and useful electronic websites on the contractor hiring process.

2 Requirements Definition

The first step in the process of hiring a contractor is to create a requirements definition. The purpose of the requirements definition is to clearly identify and define all of the requirements of the contract. This first step can be very time consuming but it is crucial. A requirements definition becomes a critical precursor to creating a request for proposals, a statement of work, and evaluation criteria and methodology. Well thought out requirements equate to high quality request for proposals, statement of work, and evaluation criteria and methodology.

When creating a requirements definition, the following questions should be addressed:

1. Who supplies the kind of goods and/or services being requested in the contract?
2. What is the objective of the contract?
3. Where will the contract work be done?
4. Why is a contractor needed?
5. When will this contract start? When will this contract finish?
6. How will the right contractor be chosen? How will risks associated with the contract be mitigated? How will ethical dilemma's be minimized?

Helpful Tips

- The requirements definition should not be created in isolation. The best approach is to have a team brainstorming session to ensure that all aspects of what is required in the contract have actually been considered.
- Distinguish what requirements are "needs" and what requirements are "wants". Only the "needs" should be included in the final requirements definition.
- Potential risks and ethical dilemma's should be identified at this time. Risks could include over-specifying the requirements or unduly restricting the requirements in order to favour a certain supplier. Ethical considerations include ensuring that the requirements are not biased so that only one firm can qualify for the contract or that the one writing the requirements can seek personal gain.
- The requirements should cover the project from cradle to grave. Therefore, a life cycle approach should be utilized to ensure that each activity or decision regarding the project is examined through all stages of the life cycle to determine the true costs and impacts of the project.
- The requirements definition does not need to be a formal document because it is an internal document. The content is what is most important, the format can simply be point form.

3 Request for Proposals (RFP)

The second step in hiring a contractor is to create a request for proposals. The purpose of a RFP is to solicit potential contractors to bid on the proposed contract. A RFP is in the form of an invitational letter.

A RFP is made up of six components. The first four elements can be found embedded in the actual RFP letter. The last two elements are attachments to the RFP letter.

1. Requirements- defines the purpose and scope of the contract.
2. Instructions to Bidders- gives specific instructions on how to bid on the contract.
3. Terms and Conditions- includes all standard and specific clauses (method and basis of payment, intellectual property, and dispute resolution methods used) required in all contracts.
4. Pricing- states if there are any financial considerations (financial restrictions or budgetary requirements).
5. Statement of Work- specifies the tasks, deliverables, and milestones required for the contract.
6. Evaluation Criteria and Methodology- explains what criteria the proposals will be evaluated on and what evaluation methodology will be used.

Helpful Tips

- Make sure to write the RFP with the targeted audience in mind. Ensure the RFP is written clearly, is well organized, and acronyms have been defined.
- A sample of a RFP has been included as Annex A.

4 Statement of Work (SOW)

A Statement of Work is a critical component of the RFP package. The purpose of a SOW is to set out the requirements identified in the requirements definition into a document so that potential contractors can respond appropriately to the RFP based on their expertise.

A SOW is typically made up of the following seven components:

1. Background- informs the reader of any pertinent background information to the project.
2. Objective- defines the objective of the project.
3. Scope- specifies what the project includes and what it does not include.
4. Tasks- lists all of the required tasks to complete the project.
5. Deliverables and Milestones- lists all the deliverables expected with their respective milestone dates.
6. Constraints- lists any constraints that have been identified in this project.
7. Client Support- identifies anything that will be provided to the contractor during the project.

Helpful Tips

- Ensure the tasks and deliverables in the SOW align with the "needs" that were identified during the requirements definition stage. Do not tell the contractor how to do the tasks, just what the tasks and deliverables are. Make certain that the tasks have taken into account the identified risks and ethical dilemma's.
- A consistent format should be used throughout the SOW. It should include section headings, sub-headings, bullet points, and a numbering system.
- A SOW should be written in the active person, acronyms should be defined, and a sufficient amount of detail should be included. A SOW should avoid legalese, vague words, and indefinite phrases.
- Refer to the following electronic resources for more information on creating a SOW [1] [2] [3] [4]
- A sample of a SOW has been included as Annex B.

5 Evaluation Criteria and Methodology

The evaluation criteria and methodology document is also a very critical component of the RFP package. The purpose of creating evaluation criteria and a methodology is so competing proposals can be systematically evaluated and the best contractor is awarded the contract.

5.1 Evaluation Criteria

Evaluation criteria comes in two forms: mandatory and point-rated. Mandatory criteria is the minimum requirements necessary to complete the contract. The criteria is expressed with terms "shall", "must", and "will". If a contractor does not meet the mandatory criteria then their proposal will not be considered for the contract. Point-rated criteria is value added criteria that exceeds the minimum requirements. The criteria is rated using a points system and usually a mandatory pass mark for each criteria is created and included.

5.2 Evaluation Methodology

Evaluation methodology is the method used to evaluate the competing proposals. The evaluation criteria can be evaluated using either a subjective or objective rating system. A subjective rating system is where points equate to a subjective evaluation (10 points= consultant exceeds past experience required). An objective rating system is where points equate to an objective evaluation (10 points= consultant has completed 4 or more similar projects in the past).

Price must also be factored into the evaluation. Price can be evaluated three ways: lowest price, lowest price per point, total points including cost. In lowest price, the proposal quoting the lowest price, that met the mandatory requirements and passed the point-rated criteria wins. In lowest price per point, the proposal with the lowest cost per technical points, that met the mandatory requirements and passed the point-rated criteria wins. In total points including cost, the proposal with the highest total of technical and cost points (cost is assigned a number of points), that met the mandatory requirements and passed the point-rated criteria wins.

Helpful Tips

- Ensure there is evaluation criteria for all of the tasks and deliverables mentioned in the SOW.
- Do not put too much weight on reference checks. Contractors will usually only provide positive reference checks. Only references given can be checked. Nowadays, most companies will only confirm if a contractor worked for them, not what kind of job they did. Remember a negative experience between the contractor and his past employer could be due to either the contractor or the past employer.

- Use a mix of mandatory and point-rated criteria. Always ensure that the mandatory criteria are mandatory.
- Whenever possible use an objective rating system.
- How price will be evaluated must be included in the evaluation methodology section because, depending on how price is evaluated, different proposals could be awarded the contract. The most common way to factor in price is either using lowest price per point or total points including cost.
- A simulation of the evaluation criteria and methodology should be done prior to sending out the RFP. This is to ensure that the evaluation criteria and methodology work and that the right factors are driving the selection of the right kind of contractor. Remember, the evaluation criteria and methodology can not be changed once the bid has closed.
- An evaluation grid, a chart listing all of the criteria being evaluated and how price is being evaluated, is a useful tool to create for the evaluation committee.
- A sample of Evaluation Criteria and Methodology has been included as Annex C.

6 Conclusion

In conclusion, this technical note should be used as a quick reference guide to the process involved in hiring a contractor to provide goods and/or services. To ensure the process is successful, remember to have the following: well defined requirements, a clear request for proposals, a detailed statement of work, and evaluation criteria and a methodology that appropriately assess the requirements of the contract.

References

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2. Food Services (2006). Statement of Work (Online).
http://lognet.dwan.dnd.ca/dlbm/dfoods/sow_E.htm (27 March 2006).
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http://dgprocsvcs.ottawa-hull.mil.ca/dcpol/indesc_e.asp (27 March 2006).
4. Public Works and Government Services (2006). Statement of Work Template (Online).
<http://www.pwgsc.gc.ca/acquisitions/text/ps/clients/sow-e.html> (27 March 2006).
5. Canada School of Public Service (2004). Developing a Statement of Work and Selection Criteria.

Annex A

Sample Template of a Request for Proposals

The following is a sample template for a Request for Proposals drawn from [5].

SAMPLE LETTER-BASED RFP

Hull, Quebec
June 1, 2000

Dear Sir/Madam:

Subject: WORK DESCRIPTION WRITING SERVICES
Request for Proposal: CAD/DAM-2000-05

You are invited to submit a proposal to prepare thirty work descriptions according to the Universal Classification Standard (UCS).

The Corporate Administration division (CAD) of the Department of Government Operations requires the services of consultant(s) who have previous experience writing work descriptions using UCS's Work Description Format. Your proposal must be submitted on a FIRM LUMP SUM PRICE basis with applicable per diem rates for the consultant(s) as well as other anticipated costs.

The appendices attached must be adhered to in preparing your proposal which, as a minimum, should provide:

- Evidence that the contractor has the necessary ability, qualifications and capabilities to carry out such a project and to perform the work specified in the statement of work.
- Detailed work plan providing the clear responsibility assignment of each of the main resources proposed and back-ups, estimated time required to complete the project as per the milestones.
- Curriculum vitae of the personnel assigned to the project and back-up provision.

If you are interested in submitting a proposal (in two copies), your package must be received no later than **August 11, 2000, at 2:30 p.m.** at the following address:

Department of Government Operations
Corporate Administration Division
c/o F. Gauthier
456 Louis Street, Room 2134
Hull, Quebec K1A 0M7

Proposals received after the closing time and date shown will not be considered and will be returned to the sender.

.../2

Proposals submitted by telegraphic means or electronic mail are acceptable provided that all the following conditions are met:

- they are received prior to the time specified for closing,
- they contain sufficient data to allow evaluation, and
- that signed copies of the final proposal are received in confirmation within two (2) days of receipt of the telegraphic or e-mailed bid.

Facsimile No. (819) 953-2496. E-mail address: fgauthier@dgo.gc.ca

It is understood that your proposal will remain in effect for acceptance for a period of not less than 30 days from the closing date of the Request for Proposals.

This Request for Proposal may result in only a partial contract award or none at all. Payment will be made in Canadian funds only.

For further information, please do not hesitate to contact the undersigned by telephone at (819) 957-4390 or by e-mail at: rbmanchini@dgo.gc.ca.

Sincerely Yours,

R.B. Manchini
Program Manager
Corporate Administration

Att.: Appendix A - Statement of Work (SOW)
Appendix B - Evaluation System and Criteria

Distribution List:

- Best Consulting Group
- Description Pro Inc.
- Future Tech Writing
- Groupe consultation-action
- Job Design and Writing Inc.
- Les entreprises vision future
- MontJoie et Associés
- Nouvel Âge Development Ltd.

Annex B

Sample Template of a Statement of Work

The following is a sample template for a Statement of Work drawn from [5].

APPENDIX A - STATEMENT OF WORK WORK DESCRIPTION WRITING SERVICES	
1. BACKGROUND	
1.1	The Corporate Administration Division (CAD) of the Department of Government Operations is committed to simplifying the job classification system within their organization. The Universal Classification Standard (UCS), published by the Treasury Board has been introduced to meet this commitment. Jobs are to be redescribed using the UCS's Work Description Formats (WDF). Approximately 30% of all jobs within the Division have been rewritten; another 35% (thirty jobs) are to be rewritten by December 20, 2000.
2. OBJECTIVE	
2.1	The objective of this project is to prepare thirty work descriptions in various categories using the Work Description Format of the Universal Classification System. The work descriptions are to reflect the <u>current</u> functions of each job identified.
3. SCOPE	
3.1	These services will include only the preparation of the work description. These services will not include job evaluation or organizational design services.
4. TASKS	
	As part of the contractor's contribution to this project, the contractor will fulfil the following main tasks:
4.1	Interface with the Project Manager will be required throughout the project to discuss the status of the work deliverables.
4.2	Meeting with all employees whose job descriptions will be rewritten.
4.3	Meeting with employees individually to review and/or update work description.
4.4	Preparation of a draft work descriptions in accordance with the UCS Work Description Format.
4.5	Review of drafts by employee and supervisor.
4.6	Preparation of final copy for review by the Project Manager.
4.7	Approval of all work descriptions by the Project Manager.
5. DELIVERABLES AND PROJECT SCHEDULE	
5.1	Bidders will demonstrate their ability to meet the following deliverables based upon a contract award date of August 14, 2000.
	.../2

5.2 Milestones and events **Completion date**

The contractor will be available for a planning meeting with the Project Authority August 15, 2000

The contractor will meet with the Project Authority and the thirty employees whose jobs are to be rewritten. August 16, 2000

Phase I

- i) The contractor will schedule a meeting with each employee to review their work description and to gather information to ensure that all current duties are reflected in their job description.
- ii) The contractor will draft new job descriptions in the UCS Work Description Format.
- iii) The contractor will provide each employee and their respective supervisor with a draft version of their job description.
- iv) A progress meeting with the Project Authority concerning the status of the project. November 5, 2000

Phase II

- i) Incorporate any changes identified and agreed upon by the employee and his/her supervisor into a second draft of the job description.
- ii) Acceptance of second draft or work descriptions by the employees. November 20, 2000
- iii) Review and approval of work descriptions by the Project Manager. December 18, 2000

6. CONSTRAINTS

- 6.1 All work is to be completed by December 20, 2000.
- 6.2 All meetings with employees are to be conducted during the employee's regular work hours.
- 6.3 All meetings conducted with each employee and all written material prepared for the employee are to be presented in the language of choice of the employee.

7. CLIENT SUPPORT

- 7.1 The Corporate Administration Division will provide the contractor with an appropriate location in which to meet with the employees.
- 7.2 The Corporate Administration Division will provide the contractor with a parking spot, a parking pass, and a building pass.

Annex C

Sample Template of Evaluation Criteria and Methodology

The following is a sample template for Evaluation Criteria and Methodology drawn from [5].

- 2 -

2. MANDATORY REQUIREMENTS	
2.1	Proposals which fail to meet the mandatory requirements will be considered non responsive .
2.2	The firm must:
2.2.1	prove that the individuals assigned to this project have successfully completed the Treasury Board sponsored <i>Universal Classification Standard Course</i> .
2.2.2	demonstrate completion, on behalf of the Federal government, of at least twenty (20) new work descriptions using the Universal Classification Standard.
2.2.3	be able to provide services in both official languages.
3. RATED REQUIREMENTS	
3.1	The technical proposal will be evaluated and scored in accordance with the evaluation criteria described below. It is suggested that each criterion be addressed in depth. Items not addressed will be given a score zero. Simply repeating the statements contained in the Statement of Work is not sufficient. Proposals must explain and demonstrate how the work requirements are understood and how the work will be carried out.
3.2	<u>Methodology and Workplan</u> (50 points) Recommendations and rationale to approach the project; workplan, estimated number of days to perform the project as per the tasks and deliverables identified.
3.3	<u>References</u> (30 points) The firm is to provide two (2) references for which work description writing services in accordance with the UCS were provided within the previous year. The following information is to be provided for each reference identified: a) client (i.e. company or department) name and phone number; b) period of time (dates) for provision of service; c) a brief overall assessment of the results of the services provided.
3.4	<u>Control process</u> (20 points) The proposed detailed quality assurance process and the contingency plan in the event that a designated resource becomes unavailable.

APPENDIX B - EVALUATION CRITERIA
WORK DESCRIPTION WRITING SERVICES

In order to facilitate the evaluation process, proposals must address and present topics in order of mandatory requirements and in the order for the point-rated criteria, under the same headings. To avoid duplication, different sections of the proposal can be referred to by identifying specific paragraph and page number, when the subject topic has already been addressed. The proposal will be evaluated solely on its contents. No changes will be accepted following the bid closing date and time.

1. SELECTION METHOD

1.1 The method of selection is a two-step process as follows:

1.1.1 **Technical proposal evaluation.** To be considered responsive, an offer must:

1.1.1.1 meet all the mandatory requirements specified in section 2.2 below, and

1.1.1.2 achieve a minimum of **60%** for each of the point-rated criteria listed in section 3 below, as well as a minimum **70%** overall for all three criteria; the rating is performed on a scale of 100 points.

1.1.2 **Cost evaluation**

1.1.2.1 The best value to the Crown will be established on the basis of the **LOWEST COST-PER-POINT**, calculated by dividing the total cost of the proposal (excluding GST) by the total points achieved.

1.1.2.2 Where two or more acceptable proposals achieve the identical lowest cost-per-point as a result of the above, final selection will be based on the lowest priced valid proposal.

.../2

List of symbols/abbreviations/acronyms/initialisms

DRDC	Defence Research and Development Canada
DND	Department of National Defence
CORT	Central Operational Research Team
CORA	Centre for Operational Research and Analysis
RFP	Request for Proposals
SOW	Statement of Work

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This technical note presents information on the process of hiring a contractor to provide goods and/or services. The process described can be used for either simple or complex contracts. This note describes what a requirements definition is, a request for proposals, a statement of work, and evaluation criteria and methodology. In addition, helpful tips on the contracting process, a sample template, and electronic resources have also been included in this note.

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Contracting
Requirements Definition
Request for Proposals
Statement of Work
Evaluation Criteria
Evaluation Methodology
Procurement



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