Table of Contents

1. Introduction to Contracts
2. Contracting Process
   • Identifying Need
   • Required Documents
   • Procurement Methods/Competitive Bidding
   • Timelines
   • Amendments
3. Conclusion / Questions
Introduction to Contracts - Overview

• Contracts are used to procure services for the State
• The rules and processes regarding State contracting are described in Public Contract Code, Government Code, and others
• State Contracting Manual (SCM)
• Rules are designed to protect the State, promote fairness and competition, and ensure public funds are spent appropriately
Introduction to Contracts - General Rules

- No work should be conducted outside the scope or term of a contract
- Only pay for services in arrears. Advanced payment is prohibited except in certain cases – SCM Vol. 1, 7.32
- Payment of goods or services outside the Scope of Work can be considered a gift of public funds, which is prohibited
- Contract Managers are responsible for the ongoing administration and monitoring of a contract
- Promote and do not circumvent the competitive process
- Be aware of conflict of interest and other ethics issues
- Small Business and Disabled Veteran Business Enterprise goals
Introduction to Contracts - Who can sign?

• Limited to those officers who either have statutory authority or have been duly authorized in writing by one who has statutory authority.

• The following people have contract Signature Authorization:
  • DIR Director
  • Procurement and Contracting Officer/Admin Deputy
  • Chief, Business Services, Contracts and Procurement

• **Never sign Contract documents or any contractor contract forms on behalf of DIR**
Introduction to Contracts - Contract Types

There are different rules and requirements based on the type of contract. Some types of contracts include:

• Interagency Agreements
• Agreements with California State Universities and Auxiliaries
• Consulting Agreements
• Agreements with Public Entities
• Legal Services Agreements
• Personal Services Agreements
• Memorandum Of Understanding (MOU)
A typical contract is composed of the following components:

- **STD 213 or STD 210** - The standard agreement cover page
- **Exhibits** -
  - Exhibit A - Scope of Work
  - Exhibit B - Budget Detail and Payment Provisions
  - Exhibit C - CA General Terms and Conditions (GIA and UTCs)
  - Exhibit D - Additional Provisions
  - Additional Exhibits or Attachments as needed

Programs help provide content (A & B), but preparing these documents is the responsibility of Contracts and Procurement.
Contracting Process

1. Identify Need for Services
2. Develop Scope of Work and Budget
3. Obtain quotes or solicit bids/proposals
4. Award the Contract
5. Develop Contract documents
6. Acquire Contractor Signature
7. Acquire DIR Signature
8. Obtain DGS approval if necessary
9. Notify Contractor to start work
Contracting Process- Contract Requests in FI$Cal

Financial Information System for California:
• Combines accounting, budgeting, cash management, and procurement operations into a single financial management system
• Requisition --> Contract --> Purchase Order
  • Requisition - Initial request from Program for Purchases and Contracts
  • Contract - Contains contract information and attached documents
  • Purchase Order - Encumbered funds used for payment of invoices
• Contracts and Purchase Orders are created by the Contracts and Procurement Unit after the execution of a contract
• fiscal.ca.gov
There are a variety of documents program must provide to begin the contracting process. Most importantly, Requisitions for contracts should contain the following:

- **Scope of Work** - Include Contract Representatives and Term Dates
- **Budget Details** - Contract Amount, Quotes, Cost Sheet, Rates, etc.
- **Justification** satisfying GC section 19130(b)
- **Any additional provisions** requested by Program to be included in the contract

Use the new Requisition Checklist
SOW development is a key responsibility of the Contract Manager. Although SOWs vary by contract, the approach to writing a SOW remains the same.

Fundamental information should include *who, what, where, when, why, and how*:

- **Who** will do the work?
- **What** type of services are being performed?
- **Where** is the work to be performed?
- **When** does the work need to be performed and how quickly does the contractor need to respond?
- **Why** is there a need for this particular service?
- **How** is the work to be performed?
Contracting Process - Contract Budget

- Contracts should contain a detailed budget and/or cost rates for all services provided.
- Budget is based on quotes, cost estimates, or formal bids provided by contractors.
- Complexity can vary greatly - from lump sum payments to detailed labor, equipment, item, and travel rates.
- Program must also provide the detailed funding information for the contract, including the allocation of funds over multiple fiscal years (if needed) and the fund coding - All provided in the Requisition.
• Justification provided by Program for almost all services contracts - some exceptions, ex. Interagency Agreements

• Document the reasons why the contract satisfies one or more of the conditions set forth in Government Code section 19130(b) and specify the applicable subsection:

“Personal services contracting also shall be permissible when any of the following conditions are met:”
The most commonly cited subsections are the following:

- (3) The services contracted are not available within civil service, cannot be performed satisfactorily by civil service employees, or are of such a highly specialized or technical nature that the necessary expert knowledge, experience, and ability are not available through the civil service system.

- (8) The contractor will provide equipment, materials, facilities, or support services that could not feasibly be provided by the state in the location where the services are to be performed.
Contracting Process - Competitive Bidding Methods

• Competitive bidding methods require public advertisement of bidding opportunities ($10K or more)
• Programs provide a SOW, minimum qualifications, and evaluation criteria to develop solicitation document
• Solicitations are posted on Cal eProcure - min. 10 business days
• Evaluation teams follow strict requirements to evaluate bidders/proposers
• Results may be protested (PCC §§ 10341 - 10345 and Title 2 California Code of Regulations §§ 1195 - 1195.6)
• Timeline for award can be 4-6 months or more depending on the method, complexity, number of bidders, etc.
Contracting Process - Competitive Bidding Methods - IFB vs. RFP

**IFB**
- Simple, common, or routine services - Ex. Uniform Rental
- Bidders must meet min. qualifications and submit cost
- No oral interviews
- Public Bid Opening
- Award - Lowest responsible and responsive bidder

**RFP**
- Complex and/or unique services - Ex. Auditing, advertising
- Often include interviews
- Proposals include timelines, goals, objectives, detailed methods and work plans
- Narrative proposals are scored - award is not solely based on cost
- Primary and Secondary
Contracting Process - Exemptions from Competitive Bidding

• Contracts under $10,000
• Small Business/Disabled Veteran Business Enterprise (SB/DVBE) Option
• Leveraged Procurement Agreements - CMAS, MSA, etc.
• Non-Competitive Bid (NCB)
• Emergency Contracts
• Exemptions based on types of services:
  • Equipment Maintenance
  • Legal Services / Expert Witness
  • Interagency
  • Departmental Memberships
  • Public Entities
  • Pre-Existing Non-IT Training under $50K
  • Proprietary Subscriptions or Publications

Note: Additional rules/restrictions may apply. Please consult Procurement and Contracts.
Contracting Process - Timelines

Whenever possible, allow the following lead times for development of a contract, from submitted complete Requisition through contract execution:

- **Contracts under $10,000**: 1 month
- **Exempt Contracts under $50,000**: 2 months
- **Exempt Contracts over $50,000**: 3 months
- **Formal Competitive Procurements (IFB/RFP)**: 6+ months

Note: These are estimated timelines. Every contract is unique and can experience unforeseen delays, protests, delayed approvals etc.

Pre-planning and development of the scope of work is not reflected in the above timelines.
Contracting Process - Amendments

• Amendments can be for time, money, language clarification, changes in SOW, or a combination - However, there are restrictions

• Amendments must be entered into before the expiration of the original contract - Submit Requisitions as soon as possible.

• Does the statute supporting the original contract award for an exempt contract also support the exemption of the amendment?

• Clearly identify sections being amended and provide the same degree of specificity as the original contract

• Amendments to contracts approved by DGS must also be approved by DGS in most cases - Amendments can also trigger DGS approval

• Amendments can not be used to circumvent the competitive bidding process
There are strong restrictions on amending competitively bid contracts. They can only be amended in certain cases:

1. The amendment options were anticipated and evaluated during the solicitation process

2. The amendment either adds time only to complete performance up to 1 additional year or adds not more than 30% (not to exceed $250K) of the original contract (Additional restrictions apply)

3. The amendment is correcting incidental errors

4. NCB approval is required in all other cases
Key Takeaways

- There are various contract types - most require some form of competitive bidding
- Only specific persons are authorized to sign contract documents on behalf of DIR
- There are limitations to amendment options
- Contracts cannot be amended once expired
- Critical to consider process timelines and submit Requisitions timely
- The Contract Manager is responsible for monitoring contractor performance, ensuring services are provided within the term and scope of the contract, and keeping within the contract budget
Questions?

Resources including training slides, handouts, and an FAQ are posted on our DIR Intranet page.

For general inquiries, please contact Procurement@dir.ca.gov

Thank you!