AN ANALYSIS OF ADOPTING A CENTRALIZED CONTRACTING MODEL FOR THE METROPOLITAN TRANSPORTATION COMMISSION

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FOR

THE METROPOLITAN TRANSPORTATION COMMISSION

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ABSTRACT

The Metropolitan Transportation Commission (MTC) has had a decentralized contracting model since its inception in 1970. Over the years, the number of contracts that MTC executes has increased, but the staffing level in the Contracts Unit has remained the same, which has elicited an emphasis on the importance of efficiency. This research analyzes whether the MTC Contracts Unit should adopt a centralized contracting model for the purposes of increasing efficiencies. A main focus area is on improving timeliness for contract finalization and minimizing errors found during the internal review and approval process.

The researcher currently works for the Contracts Unit at MTC, and is responsible for reviewing and approving contracts. This study is important because coordination problems between the project managers and contracts staff have lead to delays or a duplication of effort causing inefficiencies in the contracting process.

By utilizing primary data collection, this research reviews the contracting processes of MTC and other similar transportation agencies. The results and findings from the surveys and key informant interviews will allow for an informed decision to be made on this current issue. This study concludes with policy recommendations, which could be used to enrich the findings presented.

CHAPTER 1 - INTRODUCTION

Historical and Contemporary Context

Transformative changes in public administration over the few past decades have impacted public contracting. Along with the public administration reform came the introduction of New Public Management in the late 1970s to early 1980s. New Public Management suggests that public managers "steer rather than row", and that they move toward becoming monitors of policy implementation or purchasers of services rather than being directly involved in service delivery itself (Denhardt & Denhardt, 2007). There is a trend towards reducing government functions through privatization and other forms of market testing and contracting, in some cases quite radically (Hughes, 2003). As a result, governments have greatly increased the number of contractual agreements to provide goods and services to the public.

During the 1980s and 1990s, the "doing more with less" model impacted governments. Federal, state, and local governments all experienced an era of downsizing and outsourcing. This phenomenon was due to shrinking budgets and waning public sentiment causing government's workforce to be reduced, but governments were expected to continue providing the needed services and core functions, if not more (Matthews, 2005).

Presently, the United States has an approximate of 85,000 local governments and is considered one of the most governmentally decentralized countries in the world (Rosenbaum, 2013). "About 35,000 of these are general-purpose local governments and 50,000 are special-purpose local governments. They both are independent governments with taxing authority and, in many cases, a quite high degree of autonomy within the geographic sphere in which they function" (Rosenbaum, 2013, p. 11). These local governments are comprised of organizations that operate

under a centralized or decentralized model; however the topic of centralization versus decentralization remains a debated topic.

The Study

This widespread movement from in-house services to contracting out for services has greatly impacted the Metropolitan Transportation Commission (MTC). MTC, a regional government agency, created by State legislature in 1970 has had a decentralized contracting model since its inception. Over the past 40 years, the number of contracts that MTC executes has grown substantially as State and Federal law have assigned additional responsibilities to the agency. A present challenge is that the number of contracts that MTC executes has increased, but the staffing level in the Contracts Unit has remained the same, which has elicited an emphasis on the importance of efficiency. In fiscal year 2012-13, MTC's five-person Contracts Unit team processed more than 600 contracts valued at over $400 million dollars, while serving as a technical resource to 120 project managers. (MTC contracts database, 2013). The issue of efficiency is common amongst organizations. "As the number of a company's potential projects increases, there is an increased necessity to choose the right projects and execute them more efficiently" (Richman, 2002, p. 13). A prominent issue observed at MTC is the coordination problem between project managers and contracts staff leading to delays or a duplication of effort. The current decentralized contract approval process can take about 18-30 business days per contract, depending on the complexity of the contract. The importance of drafting and administering contracts is discussed by Sollish & Semanik (2012):

> "….forming and administering contracts covers a broad range of
> the department's responsibilities and constitutes a major
> investment of required talent. Problems with document verbiage,
> issues regarding unclear specifications, lack of supplier
> performance, and unseen financial obligations plague many
> organizations. The vast majority of these contractual problems,
> however, can be reduced or even eliminated by establishing clear

           process requirements for developing them and ensuring they
           receive appropriate approval and legal review" (p. 89).

This study is important because MTC's success in increasing efficiencies is critical to its ability to continue to provide services to the public. The consequences of MTC not being able to enter into a contract in a timely manner has significant consequences, such as MTC-contractor relationship problems, cost overruns, and delays in receiving goods and services. Steven Kelman asserts, "because so much of what agencies do and deliver has increasingly come to depend on contracts with third-parties, successful contracting has become a central part of agency success" (as cited in Greve, 2008, p. 73). A way of achieving efficiency is by improving the timeliness of the contract review process. The internal contract review process serves an important purpose, which is to ensure that any commitment of MTC's resources and all related contracts obligating the MTC are properly reviewed and approved. Motza & Conder (2012) asserts, "Improving drafting and management practices for vendor contracts is a way for state and local governments to improve services to the public and ensure that they can continue providing them" (p. 40). The results and findings of this study will help determine if MTC should adopt a centralized contracting model for its Contracts Unit.

CHAPTER 2 - LITERATURE REVIEW

An extensive review of literature across scholarly sources illustrates a common theme that can be categorized into two groups: proponents of centralization and opponents of centralization. There is a third group, hybrid or semi-decentralization, which will be mentioned, but not examined in this study. A large number of scholarly literature reviews, including international literary resources, provided high relevance to the topic of centralization and decentralization structures. A key focus among these literature reviews were on efficiency in contracting processes.

Proponents of Centralization

An anonymous (2005) article titled, "10 Ways Every State Can Optimize Procurement", provides ten ways contracting can be optimized, in which centralization is listed as one of the ways to reach optimism. The author suggests, "Centralize oversight of procurement and contract management and include the state chief procurement official early on in all major procurement discussions and decisions; create efficiencies for procurement and contracting support, eliminate redundancy, and maximize resources to deliver services; and recognize the special contracting competence and experience of procurement professionals" (Anonymous, 2005, p. 16). The article assumes the use of competent, experienced contracts staff will help eliminate redundancy in contracts.

Albano & Sparro (2010) states that many countries around the world have a certain degree of government centralization and reference the U.S. General Services Administration as an example of a centralized purchasing agency. The article asserts that "carefully design centralized procurement strategies are able to reduce the total cost of public purchases, both by achieving lower purchasing prices and by streamlining the acquisition process, so reducing transaction cost" (Albano and Sparro, 2010, p. 4). The article goes on to list a few advantages, one of which pertains to utilizing centralization to bundle separate procurement strategies into a single process, which will allow the avoidance of repeating the same task and allow specialized personnel to check the documents more carefully and thus reduce the risk of litigation at any stage of the procurement process. In addition, having standardization of procurement language, by which the same process can be used even if it serves a different purchasing need, eliminates redundancy. The article mentions an advantage for competing vendors as well, "standardization helps reduce barriers to entry into the procurement market, as firms save on resources employed to check the differences

among procurement strategies adopted by distinct contracting authorities, even if the latter end up purchasing similar commodities" (Albano and Sparro, 2010, p. 19).

Snider & Rendon (2008) suggests that a decentralized procurement approach provides the potential for inconsistencies in contracting practices, redundant purchases of similar commodities and inability to leverage the size of service to increase its purchasing power. The trend towards a centralized approach is intended to use personnel more efficiently, save money through quantity purchases, reduce delivery times, in addition to enhancing visibility, accountability and consistency in the acquisition process.

Jovanovic & Benkovic (2012) asserts centralization achieves better coordination and higher levels of standardization among contracting authorities because staff typically possess specialized knowledge. In addition, the article discusses how centralization allows for efficient use of contracting authority resources. Consolidating several procedures into one will result in significant savings in man/hours, and allow employees to carry out other tasks important for the functioning in their organization.

Thai (2009) suggests the amount of centralization for a particular procurement agency depends on the size of the agency, the geographic disbursement of the entity, legislative, executive, judiciary branch influences, public participation, and business community influences. The author also suggests agencies do not necessarily have to be completely centralized and can have degrees of decentralization, which the author refers to as a hybrid or semi-decentralized model.

Albano & Sparro (2008) discusses reorganizing public procurement through a uniformed and harmonized legislation to provide contracting authorities and central purchasing bodies with more flexible and dynamic procurement tools. The article suggests that in order to do that, the use of information technologies should be used at reducing the length of procurement processes and

improving efficiency and flexibility in order to better suit the complex and continuously changing needs of government.

Abramson & Harris (2003) reports that in 2001 only 8 states (Illinois, Kentucky, Louisiana, Minnesota, New Mexico, South Carolina, South Dakota, and Tennessee) responded that their procurement management office uses digital signatures to route and approve documents internally. The use of technology for purposes of efficiency and flexibility can be used to enhance procurement processes.

Henriksen, Mahnke, & Hansen (2004) recommends tasks related to the purchase function be centralized in a public procurement portal. The article provides that most purchases in public sector require a bureaucratic procedure to be followed and the majority of items are bought on purchase requisitions. This equates to enormous amounts of efforts spent on sending forms back and forth. The article further states the internal coordination costs are therefore high with respect to the contracting procedure for commodities. The article recommends public agencies to consider the adoption of electronic work procedures to reduce work that can be automated.

Comprehensive literature review provides that proponents of centralization see various benefits in procurement, including greater efficiency, cost savings, elimination of redundancy, improved standardization, and better consistency. Many of these benefits are primarily process-driven change, which ensures a clear standard to workflows, processes, and procedures.

Opponents of Centralization

McCue & Pitzer (2000) succinctly describes the advantages of a decentralized purchasing system. "In a decentralized purchasing system, purchasing processes are defined and administered uniformly and service delivery managers are required to follow the rules, but they are afforded administrative discretion to develop unique solutions to their problems" (McCue & Pitzer, 2000, p.

401). McCue & Pitzer argues that with a decentralized purchasing system the rules do not disappear and the service delivery managers are held accountable for their actions. The author further states the authority that the service delivery manager holds in a decentralized model, to a certain extent, acts as motivation to perform well.

Schwartz (2007) cites streamlining of procurement as one of the central objectives of the Clinton Administration's National Performance Review (NPR) reform. A significant thrust of the NPR reform included the decentralization of procurement with authority devolving to program managers with enhanced discretion and authority to buy "much of what they need" by empowering program managers to do their own purchasing.

Kovács (2004) asserts public procurement efficiency means increasing proficiency and prudency, while speeding up the procurement process in streamlining which means elimination of over-centralization, reducing the number of levels of decision making, and removal of unnecessary bureaucracy. The author also asserts that if a company regularly procures projects, having suitable internal processes and early involvement of procurement staff would provide for a smoother process.

Potoski (2008) discusses the progression of state and local procurement reforms that lead to a depoliticized, deregulated, and more pragmatic public sector contracting process. The article draws on data collected from 1992 to 2003 from several state and local government surveys that transitioned from a centralized to a decentralized model. The author cites the organizations were "contracting more effectively and in circumstances in which it is more likely to be successful, and had adopted several innovative technologies and management practices" (Potoski, 2008, p. S58). They attributed this success to having smarter and more pragmatic contracting practices. However, a stated challenge was having "insufficient staff with expertise for developing and executing contracts" (Potoski, 2008, p. S61) in a decentralized model.

Thai (2001) indicates many practitioners and researchers have contended that purchasing authority, especially in government, must be decentralized in order to provide more responsive support to end users, eliminate bureaucratic obstacles to program accomplishment, improve inter-departmental coordination, and empower service delivery managers to procure what they need without impediment by a centralized organization.

Bartle & Korosec (2003) states decentralized procurement can work; however, agencies need to ensure persons have the appropriate levels of training. The article suggests that weak agency training is a barrier to effective decentralized procurement. Some states (Virginia, Texas, Oregon, Minnesota, Alaska, and Wisconsin) have tied increasing agency purchasing authority with training and the ability of agency staff to demonstrate competencies in critical skill areas. The article goes on to quote the National Commission on the State and Local Public Services indicating that the greatest impediment to fast, sensible government contracting and procurement practices is the multiple layers of approval through which requisitions must pass. The article concludes by stating improved information technology has the potential to greatly reduce the costs and time associated with this process.

Matthews (2005) suggests that while the purchaser can offer input and advice based on past experience, it is most often the user department that is considered the project owner, who therefore, would likely make the ultimate decision to proceed with the purchase. The reasoning is that the expenditure would be coming from the operating budget that the project owner is charged with managing. When the general public questions the appropriateness of a purchase, it is typically the requesting program manager that is the one to answer questions and offer justification. Thus, decentralization makes the most sense in terms of the program manager to act as the controller of the procurement.

The literature review show that opponents of centralization see various benefits as well, including increased motivation and empowerment, greater efficiency due to fewer obstacles and impediments, greater response to users, and improve coordination with internal departments. Many of these benefits are associated with behavioral attributes, which ensures staff are motivated and empowered to perform well.

Summary of Literature Review

In summary, the literature review provides great insight to the advantages and disadvantages experienced in both centralized and decentralized structures. In both structures, technology represents an important component in achieving benefits. However, technology for the purpose of internal contract review and approval hasn't been widely adopted by government organizations. The literature sources provided high relevance, however limits generalization because these articles did not provide enough information regarding the organization to determine whether external validity can be applied to this study (e.g., size of organization, number of employees in contracts department, volume of contracts, etc.).

CHAPTER 3 - RESEARCH METHODOLOGY

This study utilizes a mixed-methods research design to collect data, including primary data through surveys and interviews, and a review of secondary data through MTC's contracts database. A research method inclusive of surveys and interviews was used due to the small number of available participants for internal and external key informant interviews. Thus, in order to effect generalizability, a survey was implemented to a larger group of internal and external project managers. The quantitative aspects for the study can compensate for weaknesses in qualitative research (Leedy & Ormrod, 2013).

Research Problem

This research examines whether the MTC Contracts Unit should adopt a centralized contracting model for the purposes of increasing efficiencies. The focus of the study is on improving timeliness for contract finalization and minimizing errors found during the internal contract review process. MTC, the researcher's employer, is the object of the study, by which the findings will be analyzed to allow for an informed decision to be made on the issue.

Main Assumption

By adopting a centralized contracting model, MTC can increase efficiencies. It is assumed that if a centralized contracting model is utilized, then contracts staff will act as the controller of drafting contracts and initiating and finalizing the contract review process, which will increase timeliness in finalization of contracts and minimize common errors, thus increase efficiencies.

Sub-assumptions

1. A centralized contracting model will minimize errors found during the contract review process.

2. Contracts staff initiating and finalizing the contract review process will increase timeliness in the finalization of contracts.

3. Contracts staff initiating and finalizing the contract review process will improve standardization of contracts.

4. Project Managers that have more years of experience with the contract review process will be more effective in minimizing errors.

These assumptions were made on the basis that the contracting process is specialized and requires training. By comparison, contracts staff handles more contracts than a project manager,

therefore would be more efficient at drafting and finalizing them. The length of time a project

manager has worked at MTC and the length of time a project manager has been regularly engaged

in the contracting process as part of their work could impact the contract workflow process. Since

there has been a recent surge of new project managers at MTC due to a large number of

retirements, it is assumed that "more experienced" project managers would be more effective than

"less experienced" project manager in recognizing common errors, thus minimizing errors. It is

important for project managers to be aware of how to operate effectively using contractual

procedures to optimal advantage. (Turner, 2003)

Dependent and Independent Variables

The dependent variable, "increase in efficiencies", is the ability to accomplish more

finalized contracts measured in a specified time period as compared to current processes. Presently,

there are a total of 6 internal signature approvals required prior to finalizing a contract for a third-

party contractor to sign. The responsibilities of each reviewer in the internal contract review

process can be found in Appendix E. The current decentralized contract workflow process is

indicated below in Figure 1.

Figure 1. Current Decentralized Contract Workflow Process
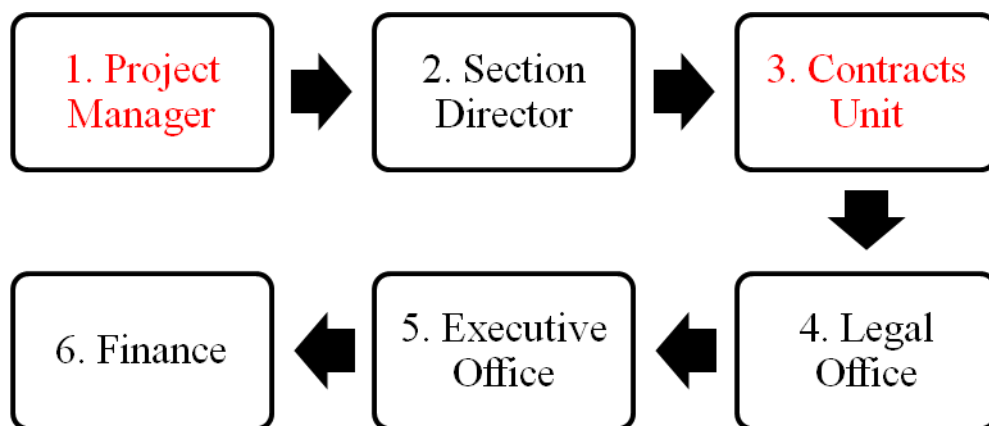
The independent variable is the Metropolitan Transportation Commission's Contracts Unit adopting a centralized model. The independent variable, "adopting a centralized model" is defined as formally accepting and putting into effect a new practice for the entire organization to follow.

This study examines the potential impact of this independent variable on the dependent variable to determine if there would be an improvement to contracting processes. Specifically, the adoption of a centralized model would include the MTC's Contracts Unit as the primary controller of drafting contracts and initialing and finalizing the contract review process. The proposed centralized workflow process is indicated below in Figure 2.

Figure 2. Proposed Centralized Workflow Process
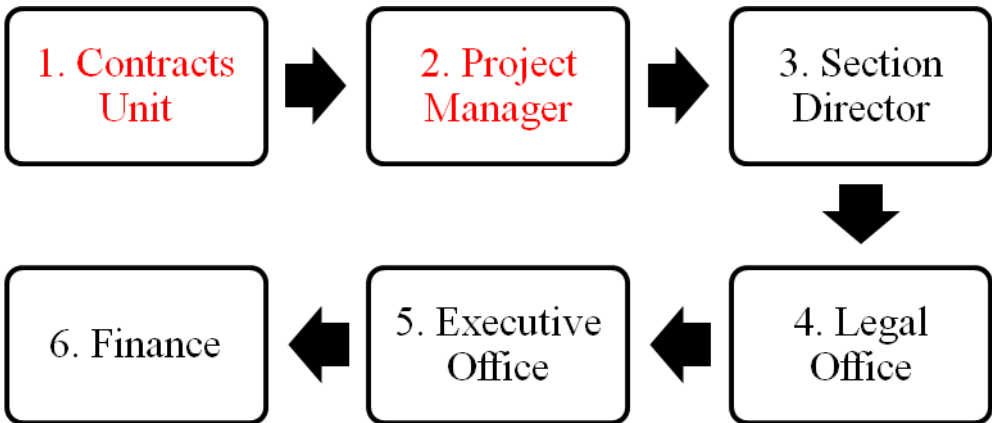
This study evaluates whether or not this centralized model with the Contracts Unit as the controlling element will result in increased efficiencies. A glossary of commonly used terms used in this study can be found in Appendix A, Definitions.

Identification of Similar Transportation Agencies

To gain information about the contracting model that local transportation agencies utilizes, the Internet websites of the 13 transportation agencies in the nine-county San Francisco-Bay Area were visited. These agencies include:

1. Alameda-Contra Costa Transit (AC Transit)

2. Alameda County Transportation Commission (Alameda CTC)

3. Bay Area Rapid Transit (BART)

4. Central Contra Costa Transit Authority

5. Golden Gate Bridge, Highway and Transportation District (GGB)

6. Marin Transit

7. Peninsula Corridor Joint Powers Board (Caltrain)

8. San Francisco Bay Area Water Emergency Transportation Authority (WETA)

9. San Francisco Municipal Transportation Agency (SFMTA)

10. San Mateo County Transit District (Samtrans)

11. Santa Clara Valley Transportation Authority (VTA)

12. Transbay Joint Powers Authority

13. Western Contra Costa County Transportation (WestCAT)

Of the 13 agencies, the numbers of each contracting model are as follows: Centralized (n=11); Decentralized (n=0); Hybrid (n=1); and Outsourced (n=1). Additionally, the number of varying agency sizes are as follows: 1-10 employees (n=2); 11-50 employees (n=3); 100-500 employees (n=0); 501-1,000 employees (n=4); and 1,001-5,000 employees (n=4).

From that information, the researcher identified 5 agencies that were most similar in agency size as follows: AC Transit, GGB, Samtrans, SFMTA, and VTA. SFMTA was selected because of its unique hybrid-contracting model. SFMTA is a semi-decentralized agency that decentralized from the City and County of San Francisco's contract administration; however, is considered primarily centralized as contracting responsibilities are governed by a Board of Directors, much like the structures of the other transportation agencies selected.

Of the 5 agencies, the number of transportation agencies utilizing each contracting model are as follows: centralized (n=4); decentralized (n=0); and hybrid (n=1) model. Of which 3 are large-sized agencies with 1,001-5,000 employees and 2 are medium-sized agencies with 500-1,000 employees.

Identification of Project Managers

MTC has a total of 246 employees, of which 120 were identified to have acted in a Project Manager role within the last fiscal year. Due to the small target population, all 120-project managers from various MTC sections were selected for participation. From the 5 local transportation agencies, a total of 100 project managers were identified; AC Transit (n= 13); GGB (n=25); Samtrans (n=10); SFMTA (n=27); and VTA (n=25).

Quantitative Surveys

A survey questionnaire was developed using an online survey tool, SurveyMonkey, (www.surveymonkey.com) and was distributed to 120 internal project managers and 100 external project managers on November 12, 2013. The internal survey consists of 7 multiple-choice questions and the external survey consists of 9 multiple-choice questions. (Appendix B) A follow-up email was sent on November 19, 2013 asking non-respondents to complete the survey. By the due date of November 30, 2013, responses were received reflecting a response rate of 60% (72/120) for internal project managers and 52% (52/100) for external project managers.

Identification of Contracts Staff

MTC has a total of 5 employees (including the researcher) in its Contracts Unit, of which 3 were identified (excluding the researcher) to have acted in a contracts staff role within the last fiscal year. From the 5 local transportation agencies, a total of 5 contracts staff was identified; one from each agency – AC Transit, GGB, Samtrans, SFMTA, and VTA.

Qualitative Interviews

Semi-structured interviews were held with 8 key informants, consisting of 5 external and 3 internal contracts staff to learn about their attitudes and behaviors regarding current contracting processes. The 5 external interviews were with contracts staff from local transportation agencies in the Bay Area that does similar work to MTC. Key informant diversity was used to reduce bias results. Key informant participants were selected based on their knowledge and work engagement in contracting. The 3 internal interviews were with contracts staff that the researcher works with. Complete anonymity is impossible due to the small target population; however confidentiality will be exercised to provide privacy to all participants.

The use of semi-structured interviews allowed a list of specific questions to be asked and any additional remarks or comments made by participants during the interview to be used. This was intended to allow for explanations to the findings. The same set of 9 open-ended questions was asked of the internal and external contracts staff with the only difference being the method it was conducted. External interviews were conducted via telephone and internal interviews were conducted in-person due to the convenience factor.

Secondary Data

Secondary data furnished by the MTC's contracts database was used to compile the list of internal project managers. The database maintains a record of projects managed by project managers and the list used for this research study includes project managers that had managed contracts within the last fiscal year, July 1, 2012 through June 30, 2013.

Ensuring Internal and External Validity and Controlling for Bias

Any research may be affected by various biases and the validity of the research will be an important factor in the proposal of policy recommendations. Understanding each type of bias is very critical and should be considered and recognized during all phases of research.

A researcher bias exists in the criteria used for selection of subjects identified for the interviews and surveys. To control the bias, the population group for data collection includes a selection of internal and external project managers and internal and external contracts staff. Internal project managers, as the research subjects, were selected from all sections within the MTC to be representative of the entire internal population group. The contracting processes are exactly identical for these sections; therefore it is can be generalized for the organization. External project managers, as the research subjects, were selected to be representative from the 5 transportation agencies identified. The same design was implemented for internal and external contracts staff. The inclusion of both internal and external representatives was aimed to prevent bias.

Other factors such as the prior work experience of a project manager working in a centralized contracting environment at another organization could sway results. To ensure internal validity, internal project managers were instructed to focus on their experience managing contracts specifically at MTC.

Limitation of Research

MTC is a regional transportation agency and metropolitan planning organization; therefore there are no agencies similar in size and nature except those external to the region. A similar regional transportation agency and metropolitan planning organization is the San Diego Association of Governments (SANDAG); however MTC works primarily with its local counterparts closer in geographical proximity, therefore this research examines select local

transportation agencies within the Bay Area. This study recognizes that some of the local

transportation agencies examined provide transit operation services, and MTC does not.

CHAPTER 4 - RESULTS AND FINDINGS

The research for this project was devised to analyze the adoption of a centralized

contracting model. As such, internal and external project managers (PM) and contracts staff (CS)

was asked to provide responses on their agency's current contracting processes. This section

contains summary data from the surveys and key informant interviews.

Survey Data Results

Question #1 (external PM)

Which transportation agency are you employed by?

Table 4.1 (A) – External Transportation Agencies
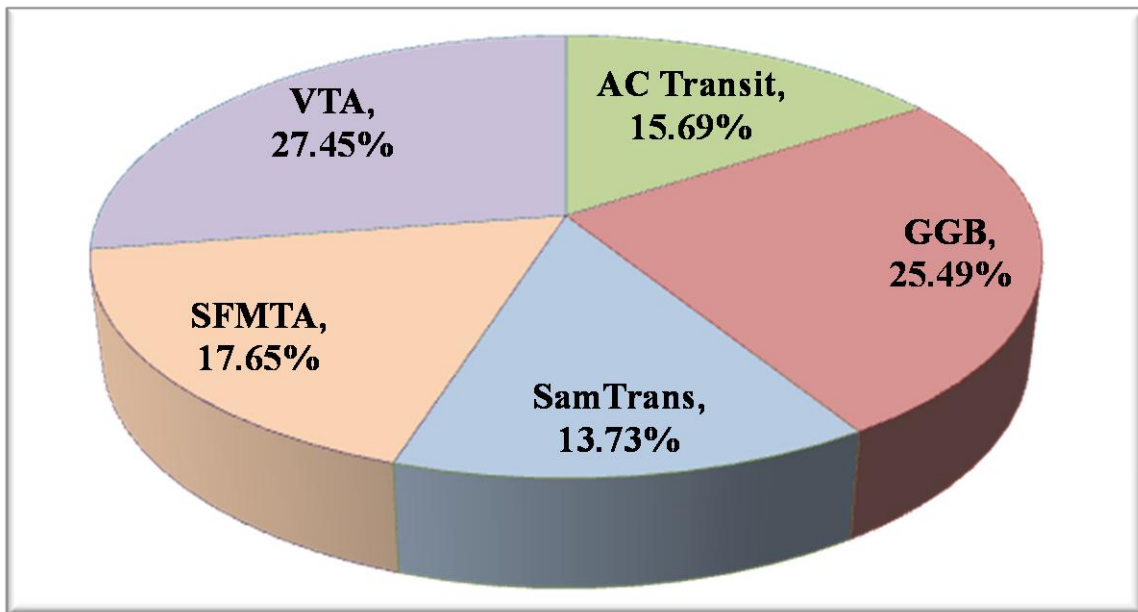
Of the 52 respondents, 51 respondents provided an answer to the question, *Which*

transportation agency are you employed by? 1 respondent skipped this question. The results are

arranged in descending order as follows:

- 14 respondents from VTA (27.45%)
- 13 respondents from GGB (25.49%)
- 9 respondents from SFMTA (17.65%)
- 8 respondents from AC Transit (15.69%)
- 7 respondents from SamTrans (13.73%)

Question #9 (external PM)

Is your agency's contracting processes centralized or decentralized? (select one)

Table 4.1 (B) – Contracting Model

100.00% — 86.27% (Centralized), 0.00% (Decentralized), 13.73% (Hybrid)
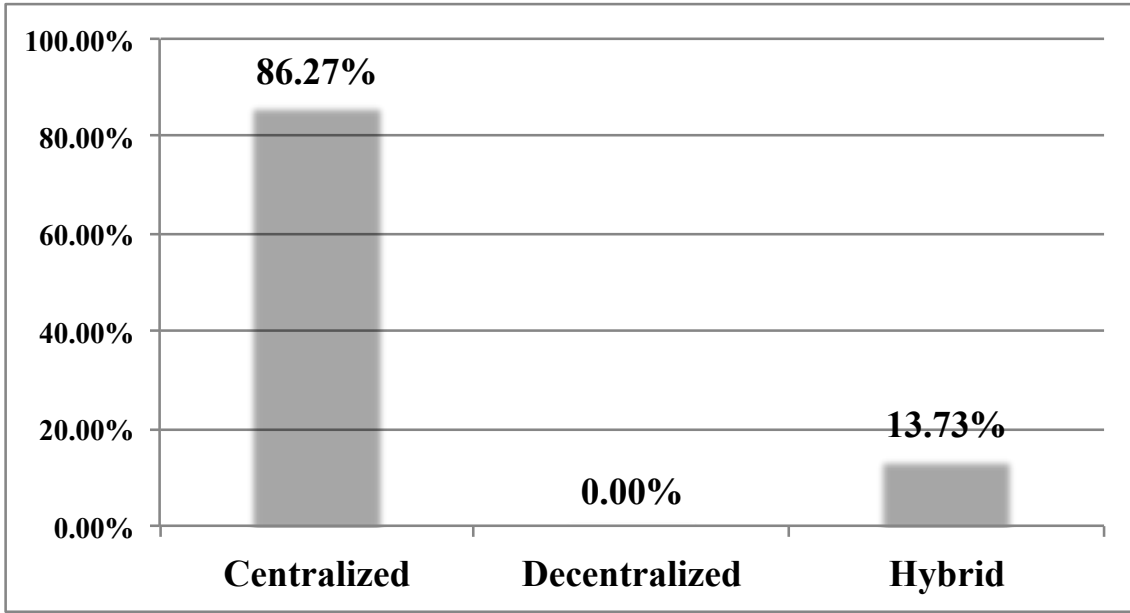
(Note: Due to SFMTA's uniqueness, some respondents responded "hybrid" and some responded, "centralized". One external respondent skipped Question #9.)

As shown in Table 4.1 (B), 86.27% of external respondents answered *centralized*, while 13.73% answered *hybrid*. This provides that the 5 local transportation agencies have either a centralized or hybrid model, while none are decentralized. This data supports the initial assessment made in identifying local transportation agencies that suggests SFMTA may be semi-decentralized. Of the 9 total external respondents that answered they are employed by SFMTA, 7 respondents answered *hybrid* and 2 respondents answered *centralized*. Interestingly, even though 7 respondents answered hybrid, SFMTA primarily operates under a centralized contracting model.

Question #1 (internal PM) and Question #2 (external PM) respectively

How long have you been a Project Manager at MTC?

How long have you been a Project Manager at your agency?

Table 4.2 – Experience as a Project Manager

Response	Internal PM (Respondents: n = 72)		External PM (Respondents: n = 51)	
	Percent	**# of Responses**	**Percent**	**# of Responses**
between 0 months to 6 months	11.11%	8	3.92%	2
more than 6 months, but less than 1 year	**30.56%**	**22**	**9.80%**	**5**
more than 1 year, but less than 5 years	19.44%	14	33.33%	17
more than 5 years, but less than 10 years	**30.56%**	**22**	**41.18%**	**21**
10 or more years	8.33%	6	11.76%	6

(Note: One external respondent skipped Question #2.)

This information shows there are a large number (30.56%) of new project managers (*more than 6 months year, but less than 1 year*) at MTC, as compared to the external transportation agencies (9.80%). There is an equal percentage (30.56%) of project managers that fall in the category of *more than 6 months, but less than 1 year* experience and *more than 5 years, but less than 10 years* experience. Further, there are less than 8.33% of internal project managers with *10 or more years of experience*. This finding is consistent with the surge of recent retirements at MTC resulting in the hiring of new project managers.

Question #2 (internal PM) and Question #3 (external PM)

How many contracts do you manage in a <u>month</u>?

Table 4.3 – Number of Contracts Per Month

Response	Internal PM (Respondents: n = 72)		External PM (Respondents: n = 51)	
	Percent	**# of Responses**	**Percent**	**# of Responses**
between 0 to 5 contracts	11.11%	8	1.96%	1

	50%	36	49.02%	25
more than 5 contracts, but less than 10 contracts				
more than 10 contracts, but less than 15 contracts	25%	18	31.37%	16
more than 15 contracts, but less than 20 contracts	13.89%	10	13.73%	7
20 or more contracts	0%	0	3.92%	2

(Note: One external respondent skipped Question #3.)

This information provides that the volume of contracts for both internal project managers and external project managers are similar. The highest response for both groups of respondents was *more than 5 contracts, but less than 10 contracts*. Internal project managers (50%) and external project managers (49.02%) reported that they handle *more than 5 contracts but less than 10 contracts* in a month. This finding is important, because it provides that the workloads of MTC's project managers are similar to those of the 5 local transportation agencies.

Question #3 (internal PM) and Question #4 (external PM)

As a follow-up to Question #2 (internal PM) / Question #3 (external PM), how many of those contracts contain more than six errors during the internal contract review process?

Table 4.4 – Number of Contracts with 6 or More Errors Found

Response	Internal PM (Respondents: n = 72)		External PM (Respondents: n = 51)	
	Percent	**# of Responses**	**Percent**	**# of Responses**
between 0 to 5 contracts	22.22%	16	33.33%	17
more than 5 contracts, but less than 10 contracts	**52.78%**	**38**	**41.18%**	**21**
more than 10 contracts, but less than 15 contracts	19.44%	14	21.57%	11

| more than 15 contracts, but less than 20 contracts | 5.56% | 4 | 3.92% | 2 |
| 20 or more contracts | 0% | 0 | 0% | 0 |

(Note: One external respondent skipped Question #3.)

In correlation to the data shown in Table 4.3, Table 4.4 shows there are higher percentages of errors found during internal contract review process for internal respondents. For instance, 52.78% of internal respondents in a decentralized contracting model compared to 41.18% of external respondents in a centralized contracting model reported they had more than six errors during the internal contract review process.

Question #4 (internal PM) and Question #5 (external PM)

In your opinion, which of the following <u>benefits</u>, if any, does a Contracts staff drafting the contract and initiating the contract review process have? (select all that apply)

**Table 4.5 – Benefits of Contracts Staff Drafting Contracts
and Initialing the Contract Review Process**

Response	Internal PM (Respondents: n = 72)		External PM (Respondents: n = 52)	
	Percent	# of Responses	Percent	# of Responses
Improves review time	22.22%	16	26.92%	14
Reduces redundancy	54.17%	39	50%	26
Minimizes common errors in contracts	**87.50%**	**63**	**76.92%**	40
Improves standardization of contracts	**66.67%**	**48**	**80.77%**	**42**
Frees up time to focus on project management	45.83%	33	42.31%	22
Enhances the contracting process experience	29.17%	21	44.23%	23
Don't Know	1.39%	1	0%	0
Other (please list)	0%	0	0%	0

(Note: Numbers total more than 72 internal responses / 52 external responses since respondents could choose more than one response.

Based on the survey responses, contracts staff drafting and initialing the contract review process would *minimize common errors in contracts* (87.50% internal respondents and 76.92% external respondents) and *improve standardization of contracts* (66.67% internal respondents and 80.77% external respondents).

Question #5 (internal PM) and Question #6 (external PM)

Of the factors listed in Question #4 (internal PM) / Question #5 (external PM), which do you consider to be the MOST IMPORTANT factor? (select 1 only)

Table 4.6 – Single Most Important Benefits of Contracts Staff Drafting Contracts and Initialing the Contract Review Process

Response	Internal PM (Respondents: n = 72)		External PM (Respondents: n = 52)	
	Percent	**# of Responses**	**Percent**	**# of Responses**
Improves review time	2.82%	2	13.46%	7
Reduces redundancy	8.45%	6	3.85%	2
Minimizes common errors in contracts	**42.25%**	**30**	**28.85%**	**15**
Improves standardization of contracts	12.68%	9	**30.77%**	**16**
Frees up time to focus on project management	16.90%	12	7.69%	4
Enhances the contracting process experience	15.49%	11	13.46%	7
Don't Know	1.41%	1	1.92%	1
Other (please list)	0.0%	0	0%	0

In comparison, in a decentralized contracting model the single most important benefit is *minimizing common errors in contracts*, while in a centralized contracting model the single most important benefit is *improving the standardization of contracts*, followed closely by *minimizing common errors in contracts*. This finding lends us to believe that these two factors are closely related. Minimizing common errors can be attributed to having a standardization of contracts and vice-versa. Moreover, more internal and external respondents found a greater benefit in *improves standardization of contracts* than *improves review time* or *reduces redundancy.*

Question #6 (internal PM) and Question #7 (external PM)

In your opinion, which of the following <u>drawbacks</u>, if any, does a Contracts staff drafting the contract and initiating the contract review process have? (select all that apply)

**Table 4.7 – Drawbacks of Contracts Staff Drafting Contracts
and Initialing the Contract Review Process**

Response	Internal PM (Respondents: n = 72)		External PM (Respondents: n = 52)	
	Percent	**# of Responses**	**Percent**	**# of Responses**
Difficulty finding availability of a Contracts staff	**46.48%**	**33**	**21.57%**	**11**
Decreases timeliness of finalization of contracts	39.44%	28	31.37%	16
Delays contract review process	**45.07%**	**32**	**41.18%**	**21**
Decreases ownership of project	36.62%	26	31.37%	16
Increases common errors in contracts	11.27%	8	7.84%	4
Degrades the contracting process experience	1.41%	1	1.96%	1
Don't Know	12.68%	9	31.37%	16
Other (please list)	0.0%	0	0%	0

(Note: Numbers total more than 72 internal responses / 52 external responses since respondents could choose more than one response.)

This data provides that internal respondents (46.48%) in a decentralized contracting model indicated there is *difficulty finding availability of a Contracts staff* to assist with contracts, while a significantly smaller percentage of external respondents (21.57%) in a centralized contracting model indicated this as a drawback. Interestingly, both internal (45.07%) and external (41.18%) project managers responded that a Contracts staff drafting and initialing contracts leads to *delays in the contract review process*.

Question #7 (internal PM) and Question #8 (external PM)

Of the factors listed in Question #6 (internal PM) / #7 (external PM), which do you consider to be the MOST PROBLEMATIC factor? (select 1 only)

Table 4.8 – Single Most Problematic Factor of Contracts Staff Drafting Contracts and Initialing the Contract Review Process

Response	Internal PM (Respondents: n = 72)		External PM (Respondents: n = 51)	
	Percent	**# of Responses**	**Percent**	**# of Responses**
Difficulty finding availability of a Contracts staff	**22.54%**	**16**	**5.88%**	**3**
Decreases timeliness of finalization of contracts	14.08%	10	17.65%	9
Delays contract review process	**26.76%**	**19**	**25.49%**	**13**
Decreases ownership of project	16.90%	12	11.76%	6
Increases common errors in contracts	2.82%	2	3.92%	2
Degrades the contracting process experience	0.0%	0	0%	0
Don't Know	16.90%	12	35.29%	18
Other (please list)	0.0%	0	0%	0

(Note: One external respondent skipped Question #7.)

Table 4.8 shows that both internal (26.76%) and external (25.49%) respondents indicated the most problematic factor for contracts staff drafting contracts and initialing the contract review process to be *delays the contract review process*. The data also shows that *difficulty finding availability of a Contracts staff* is more prevalent for internal respondents. Internal respondents (22.54%) in a decentralized contracting model indicated there is *difficulty finding availability of a Contracts staff* to assist with contracts, while a significantly smaller percentage of external respondents (5.88%) in a centralized contracting model considered this as a drawback.

Interview Data Results

Question 1: What is the most difficult aspect of the contracting process?

Five (5) interviewees mentioned the internal contract review process as being the most difficult aspect of the contracting process. Depending on an internal reviewer's workload and the complexity of the contract, it is often difficult to ascertain the length of time it may take for a full internal review. One interviewee commented some contracts can take as little as one week while others can take up to a month.

Another difficult aspect of the contracting process mentioned is the paper dependent review process. With the paper dependent review process, sometimes contracts get misplaced in transit from one department to the next. When this happens, the entire process starts over from the beginning. Some felt that the paper process invites redundant work. An example provided was if the reviewer writes a comment on a hard copy draft contract, then the Contracts staff finalizing the contract will have to take that comment and incorporate it into a soft copy. From an efficiency standpoint, it would be far more efficient for the reviewer to make the comment directly in the soft

copy during the review process. Also, it was noted that some reviewers have illegible handwriting, which can make comments difficult to read.

Question 2: What works particularly well for your agency?

Four (4) interviewees stated they value the teamwork between the project managers and contracts staff at their agency. It works best when project managers are involved in the contracting process. Even though, the Contracts department drafts the contracts, project managers play a huge role in the drafting process. For example, they have to determine the type of contract (firm-fixed price, time and materials, etc.), project milestones and deliverables, contract fee schedules, licensing rights, and much more.

Other interviewees indicated that their agencies work well because they are divided into specialized teams that are only responsible for their area of expertise. It was explained that each purchasing staff deals specifically with one commodity. An example provided was the procurement of buses and the resulting contract from that procurement. An average person would not know what is needed for purchasing a fleet of buses, but a specialized purchaser would. That way, staff members can focus on doing what they do well. Procurement staff handles all bus procurements and related parts and procurements of commodities unique to that division.

Question 3: What is the most time consuming aspect of the contracting process?

Approvals/signatures was mentioned as taking the most time, primarily because there are multiple levels of approvals needed. Another interviewee offered that finalizing the contract by making edits and corrections was the most time consuming. While there are some contracts that are standard, there are also many that are unique that require more time to draft contract provisions.

The part that most project managers fail to recognize is that additional time may be needed to consult with attorneys on contract wording and other legal issues, so time is a huge factor.

Question 4: What does project managers expect from contract staffs?

Four (4) interviewees talked about project managers caring most about getting their projects "delivered" and not so much about the contracting process. An interviewee told us that in her experience, some project managers are indifferent in regards to the contracting processing as long as they get to deliver the project, that's what they really care about. While most project managers are cooperative in working with contracts staff, they often depend on contracts staff to know what goes in a contract and to let them know when it's completed so they can start work. Simply put, project managers expect contracts staff to be the experts in drafting and finalizing contracts. Other interviewees provided that project managers expect contracts staff to put care and effort into drafting and reviewing of their contracts, while they stay out of the most of the process.

Question 5: What does contracts staff expect from project managers?

Most interviewees spoke about contract staffs expecting project managers to provide them, at a minimum, enough information to draft the contract. An interviewee mentioned that even though we have a standard consultant contract template, there are certain parts of the contract that require project managers to weigh in, such as time of performance, contract amount, type of payment. While there are parts of a contract that remains the same, there are also parts that require tailoring, which requires the project manager's input.

Question 6: What common errors, if any, do you find during the review and approval process?

Most interviewees indicated that common errors consists of incorrect formatting, incomplete table of contents, different font types and sizes, and math errors in pricing. However, it was noted that common errors are generally reduced, simply because multiple approvers review the same contract. Each reviewer typically has an area in the contract that they focus on in their review, but most reviewers review the contract in its entirety for completeness. Also, it was mentioned that standardization of contracts helps with reducing errors since most contract provisions remain the same. This is consistent with the literature review that posits having standardization of contract language, by which the same process can be used, eliminates redundancy (Albano & Sparro, 2010).

Question 7: What training, if any, does your agency provide for project managers?

Every interviewee spoke about the lack of training and mentioned as being problematic. They mentioned that training is either unavailable or limited. Just-in-time training seems to be the method that is used at most agencies. It was explained that training is only provided when it is needed. Some interviewees provided that there is a benefit to just-in-time training. It works well for project managers that have infrequent contracts, because over time they tend to forget and have knowledge loss of what is required. What they are getting is a refresher course on contracting every single time they get have a contracting need. An interviewee indicated that senior managers are supposed to train their direct reports, but the reality is that project managers learn as they go. Two (2) interviewees indicated that project managers get acclimated to the contracting process as part of their new employee orientation during their first week of employment.

Question 8: Do you currently utilize technology such as electronic routing for signatures for your review and approval process? If yes, please tell me more. If no, is this something your agency may consider?

None of the interviewees indicated that they currently use electronic routing for signatures or review process. However, most interviewees were supportive or open to the idea of an electronic routing system. An interviewee mentioned that there is always room for improvement in contracting, so yes, it is something we may consider, but we're not aware of what's available in the market. It was pointed out that some reviewers might prefer a paper copy for their review, because it's easier to catch errors or mistakes. The barrier to electronic routing may be the initial willingness of reviewers to accept the use of new technology, but ease of use and simplicity of the system may help change this behavior.

Question 9: Is there anything else you would like to add to my study on the contracting process?

An internal interviewee mentioned that training seems to be the best solution at the moment; however speaks about being understaffed as is. Finding time to provide training may be a challenge. Also, employee readiness may be a factor since project managers are used to the decentralized model of contracting. With that said, now may be the ideal time for such a change since management is in support of organizational change. Another interviewee makes a point that there are different types of project managers and the truth is that some manage contracts better than others, so it is really difficult to generalize and place them in one particular category.

Significant Key Findings

Main assumption and sub-assumptions #1 and #3

Significant key findings reveal that the main assumption and sub-assumptions #1 and #3 are supported. It was assumed that by adopting a centralized contracting model, MTC can increase efficiencies. Based on the survey responses, contracts staff drafting and initialing the contract review process would *minimize common errors in contracts* (87.50% internal respondents and 76.92% external respondents) and *improve standardization of contracts* (66.67% internal respondents and 80.77% external respondents); therefore the main assumption and sub-assumptions #1 and 3 can be answered in the affirmative. (see Appendix F – *Figure 1*)

Survey findings show that in centralized contracting model, the single most important benefit is minimizing common errors in contracts, while in a decentralized contracting model the single most important benefit is improving the standardization of contracts. While the results are different, this finding lends us to believe that these two factors are closely related. Minimizing common errors may be attributed to having a standardization of contracts and vice-versa.

Sub-assumption #2

Survey findings do not strongly support sub-assumption #2. Based on the survey responses, contracts staff drafting and initialing the contract review process does not necessarily *increase timeliness of finalization of contracts* (39.44% internal respondents and 31.37% external respondents). (see Appendix F – *Figure 2*) Further study may be required to assess why internal and external respondents felt this way. However, based on the researcher's speculation, this may be a result of the manual, paper-dependent contract review process that these agencies currently use that hinders the timeliness of finalization of contracts regardless of the contracting structure.

It is also worthwhile to look at other drawbacks that may be closely related to this issue. The survey responses indicate that 46.48% of internal respondents felt there was *difficulty of finding availability of contract staff*. The unavailability of staff could have some impact as to why

contracts staff drafting contracts and initialing the contract review process would cause *delays in the review process* (45.07%), which is closely related to *decreases timeliness of finalization of contracts*. In addition, literature review suggest the use of information technology should be used at reducing the length of procurement processes and improving efficiency and flexibility in order to better suit the complex and continuously changing needs of government (Abramson & Harris, 2003).

Sub-assumption #4

Based on survey findings, project managers that have more years of experience with the contract review process are more effective in minimizing errors. A cross-tabulation was performed for internal project managers to examine project managers with *more than 6 months, but less than 1 year experience* ("less experienced") and project managers with *more than 5 years, but less than 10 years* experience ("more experienced"). Results show that 86% of less experienced project managers compared to 41% of more experienced project managers have six or more errors in most, if not all, of the contracts they manage. A cross-tabulation was performed for external project managers using the same exact criteria and results show that 60% of less experienced project managers compared to 33% of more experienced project managers have six or more errors during the contract review process. (See Appendix F- *Figure 3* & Appendix G) This data leads us to believe that experience is important in minimizing errors; therefore the best solution for less experienced project managers is to be educated through formal contract training.

CHAPTER 5 - CONCLUSION AND RECOMMENDATIONS

Conclusion

MTC has been providing public services to the nine-county San Francisco-Bay Area for over 40 years. As MTC continues to grow in size and responsibilities, there is a need to seek improved ways to provide these services to the public. Hence, the importance of this research study to analyze whether MTC adopting a centralized contracting model for its Contracts Unit can increase efficiencies.

The results and findings indicate that by adopting a centralized contracting model, MTC can increase efficiencies. There are valuable insights that can be gleaned from the experience of other local transportation agencies with a centralized contracting model. Contracts staff drafting and initialing the contract review process would minimize common errors in contracts and improve standardization of contracts. However, it may not necessarily decrease timeliness of finalization of contracts, so further research will need to be conducted to assess if technology can help in this area. Also, project manager's experience in the contract review process is a factor in minimizing errors in contracts. Regardless of whether MTC continues to operate under a decentralized contracting model or seek to adopt a centralized contracting model, both structures are known to have its benefits and drawbacks. However, should MTC choose to adopt a centralized contracting model, it can experience improved efficiencies. As the literature reviews suggest centralization generally provides for greater efficiency, cost savings, elimination of redundancy, improved standardization, and better consistency. The following next steps can be taken to undertake some of the issues discussed in this study.

Recommendations

Policy Recommendation #1 – Provide Training to Project Managers

A way to minimize errors and improve standardization is to implement in-house contracting training to project managers conducted by knowledgeable contracts staff. As indicated in the interview findings, there is a lack of available training. While just-in-time training provides some benefits, there should ultimately be a shift away from providing training only when the need arises. The current practice contributes to poor planning and inefficient use of contracts staff time.

Providing training to project managers requires 3 major steps. First, the MTC's Executive Director will need to issue a directive and back the importance of project managers attending these training sessions. Support from MTC's Executive Director is needed in order for this initiative to be successful. Following the Executive Director's directive, the Contracts Manager should clearly establish expectations of contracts staff and project managers. The training should be mandatory for new employees and optional for tenured employees.

While in-house training does not require an additional cost, it does require the time and effort of contracts staff to conduct these trainings and the participation of project managers. Laird, Holton, & Naquin (2003) suggests that training can be a powerful tool. Training changes uninformed employees into informed employees; training changes unskilled or semi-skilled workers into employees who can perform their assigned tasks in the way the organization wants them done; and employees become workers who do things the "right way".

Second, a task force should be appointed by the Contracts Manager to determine the appropriate training content. For instance, project managers may want to be trained on a specific type of contract (e.g., contract change orders). The task force would be responsible for assessing training topics that would be useful for project managers. In addition, the task force should recruit project managers nearing retirement to mentor newer project managers. This will allow experienced project managers to assist with transferring invaluable knowledge to newcomers.

Lastly, as with any training, evaluation must follow implementation in order to assess if training is effective. It is recommended that the initial training be implemented no later than the first quarter of 2014 and conducted every 6 months thereafter. The Contracts Manager should evaluate at the 1-year milestone by conducting a survey to trainees to assess any improvements seen in minimizing errors and improving standardization.

In conjunction with the implementation of training, the Contracts Manager should update the MTC Project Manager's Manual, a contracting procedures guide for project managers, by the first quarter of 2014. The Project Manager's Manual was last revised in 2010 and needs to be updated to reflect the addition of training. The manual needs to clarify roles and responsibilities, including the project managers' responsibility to attend training to keep abreast of contracting policies and procedures. Implementing policies to strengthen inter-departmental communication helps to underscore its importance and maintain an efficient flow of information. Improving communication between departments improves the efficiency of the overall operation of your organization (Anderson, n.d.).

Policy Recommendation #2 – Strict Adherence to Standardized Contract Templates and Related Documents

In order to minimize errors, there should be standardized contract templates and related documents that adhere to applicable laws and regulations that govern MTC. There appears to be a benefit to standardization of contracts for the purposes of consistency. MTC has some contract templates (e.g., professional services agreements and task order forms) in place; however it is typical for changes to be made to the standard language in a contract by reviewers during the internal contract review process, therefore devaluing the contract template. It is strongly recommended that there be strict adherence to contract templates and related forms. Contract

provisions that are standardized will allow for a quicker review process and fewer errors found

during the internal review process. The Contracts Manager and Senior Attorney needs to work

together in conducting a review of the existing contract templates to ensure they are compliant

with MTC's policies and procedures and met legal sufficiency. Once the contract templates are

approved by both the Contracts Manager and Senior Attorney, they should be made available for

all project managers to use. It is recommended that standardization of contracts take place no later

than the 2nd quarter of 2014 and evaluated 1 year thereafter.

Policy Recommendation #3 – Increase Staffing

The Contracts Manager should investigate to determine the appropriate staffing level for

the Contracts Unit by the third quarter of 2014. The survey findings revealed that there is difficulty

finding the availability of a Contracts staff. MTC's understaffing may have implications regarding

the delays experienced in contract review and lack of timeliness in contract finalization. Currently,

secondary data from the 5 local transportation agencies suggests that MTC may be understaffed

(see Appendix H). In determining the appropriate staffing level, the position's workload, processes,

and level of automation should be considered.

Once rightsizing is determined, the Contracts Manager should check with the Finance

Section to ensure there is sufficient funding in the budget that can be allocated to the new position.

It is estimated that the salary range for one full-time position is about $60,000 - $100,000.

Following budget allocation, the Contracts Manager should work with the Human Resources

Manager to advertise the contracts staff position and participate in interviews selecting the

candidate. Accordingly, it is recommended that a minimum of one additional full-time contracts

staff, a Contract Specialist, be hired no later than the third quarter of 2014 and evaluated 6 months

thereafter, to support the administration of MTC's high dollar, high volume contracts.

Policy Recommendation #4 – Research e-system

As supported by numerous literature reviews, technology can help improve efficiencies. The use of technology for purposes of efficiency can be used to enhance contracting processes. Based on the interviews findings, Contracts staff generally supports technology; however technology has not been utilized to its full potential for contracting processes. As a result, the use of manual, paper-dependent processes contributes to delays during the internal contract review process. An important factor for the selection of an e-system is the compatibility with existing technology platforms utilized by MTC. It is recommended that the Contracts Manager and Information Technology Manager work together in researching viable e-solutions for contract workflow improvements no later than the fourth quarter of 2014.

The research should include other public agencies, inclusive of transportation and non-transportation agencies, which have already adopted an e-system for contract approval workflow processes and digital signatures. In e-contracts, all or some activities are carried out electronically and thus, overcome the delays involved in the manual system and also personnel biases. (Krishna, Karlapalem & Dani, 2005). It would be beneficial to examine what benefits/successes other agencies have gained by using an e-system and the impact it has on efficiencies.

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APPENDIX A

DEFINITIONS

Adopt is defined as the act to formally accept and put into effect a new procedure or practice for the entire organization to follow.

Centralized model is defined as a designated, standardized model consisting of the Contracts Unit as the controller of drafting contracts and initiating and finalizing the contract review process.

Contracts Unit is defined as a "division" within MTC and reports to the Administrative and Technology Services Section. This division provides support services such as review, evaluation, negotiation, and execution of contracts for the entire agency.

Contracts Staff is comprised of positions in procurement, purchasing, contract compliance and administration. At MTC, there are 5 Contracts staff (1 Contracts Manager, 2 Contract Specialists, 1 Purchasing Technician, and 1 Contract Administrative Assistant). All Contracts Staff, except the Contract Administrative Assistant, provides support services such as review, evaluation, negotiation, and execution of contracts.

Contracts is defined an agreement entered by MTC and a third-party contractor to provide goods or services that is paid for with public funds. The types of contracts are inclusive of non-disclosure agreements, blanket purchase agreements, professional services agreements, licensing agreements, master agreements, funding agreements, cooperative agreements, and interagency agreements. Other types of contracts include amendments, change orders, purchase orders, task orders, and task order amendments.

Decentralized model is defined as a model consisting of individual project managers as the controller of drafting contracts and initiating and finalizing the contract review.

Metropolitan Transportation Commission (MTC) is defined as a regional government agency serving the nine-county San Francisco Bay Area.

Project Managers (synonymous to program manager or service delivery manager) is defined as employees responsible for managing specific projects that require a contract for goods and services. The term "project manager" is not intended to mean a title of a position. MTC currently has approximately 120 employees acting as project managers.

Section is defined as a "department" within MTC. There are 8 sections at MTC.

APPENDIX B

INTERNAL PROJECT MANAGER QUESTIONNAIRE

This survey is to be completed by a MTC Project Manager. The opinions and experiences described should relate specifically to the current MTC's contracting processes.

1.   **How long have you been a Project Manager at MTC?**

      a.   ___ between 0 months to 6 months

      b.   ___ more than 6 months, but less than 1 year

      c.   ___ more than 1 year, but less than 5 years

      d.   ___ more than 5 years, but less than 10 years

      e.   ___ 10 or more years

2.   **How many contracts do you manage in a <u>month</u>?**

(The term "contracts" is inclusive of non-disclosure agreements, blanket purchase agreements, professional services agreements, licensing agreements, master agreements, funding agreements, cooperative agreements, interagency agreements, amendments, change orders, purchase orders, task orders, and task order amendments.)

      a.   ___ between 0 to 5 contracts

      b.   ___ more than 5 contracts, but less than 10 contracts

      c.   ___ more than 10 contracts, but less than 15 contracts

      d.   ___ more than 15 contracts, but less than 20 contracts

      e.   ___ 20 or more contracts

3.   **As a follow-up to Question #2, how many of those contracts contain more than six errors during the internal contract review process?**

(The term "errors" is inclusive of typos, punctuation, grammar, formatting, incorrect contract provision, etc.)

      a.   ___ between 0 to 5 contracts

b. ___ more than 5 contracts, but less than 10 contracts

c. ___ more than 10 contracts, but less than 15 contracts

d. ___ more than 15 contracts, but less than 20 contracts

e. ___ 20 or more contracts

4. **In your opinion, which of the following <u>benefits</u>, if any, does a Contracts staff drafting the contract and initiating the contract review process have? (select all that apply)**

a. ___ Improves review time

b. ___ Reduces redundancy

c. ___ Minimizes common errors in contracts

d. ___ Improves standardization of contracts

e. ___ Frees up time to focus on project management

f. ___ Enhances the contracting process experience

g. Don't Know

h. ___ Other (please list here: _____)

5. **Of the factors listed in Question #4, which do you consider to be the MOST IMPORTANT factor? (select 1 only)**

a. ___ Improves review time

b. ___ Reduces redundancy

c. ___ Minimizes common errors in contracts

d. ___ Improves standardization of contracts

e. ___ Frees up time to focus on project management

f. ___ Enhances the contracting process experience

g. Don't Know

h. ___ Other (please list here: _____)

6. **In your opinion, which of the following <u>drawbacks</u>, if any, does a Contracts staff drafting the contract and initiating the contract review process have? (select all that apply)**

      a.   ___ Difficulty finding availability of a Contracts staff

      b.   ___ Decreases timeliness of finalization of contracts

      c.   ___ Delays contract review process

      d.   ___ Decreases ownership of project

      e.   ___ Increases common errors in contracts

      f.   ___ Degrades the contracting process experience

      g.   Don't Know

      h.   ___ Other (please list here: _____)

7. **Of the factors listed in Question #6, which do you consider to be the MOST PROBLEMATIC factor? (select 1 only)**

      a.   ___ Difficulty finding availability of a Contracts staff

      b.   ___ Decreases timeliness of finalization of contracts

      c.   ___ Delays contract review process

      d.   ___ Decreases ownership of project

      e.   ___ Increases common errors in contracts

      f.   ___ Degrades the contracting process experience

      g.   Don't Know

      h.   ___ Other (please list here: _____)

APPENDIX C

EXTERNAL PROJECT MANAGER QUESTIONNAIRE

This survey is to be completed by a Project Manager. The opinions and experiences described should relate specifically to your current agency's contracting processes.

1.   Which transit agency are you employed by?

        a.   ___Alameda - Contra Costa Transit District (AC Transit)

        b.   ___Golden Gate Bridge Highway and Transit District (GGB)

        c.   ___San Mateo County Transit District (SamTrans)

        d.   ___San Francisco Municipal Transportation Agency (SFMTA)

        e.   ___Santa Clara Valley Transportation Authority (VTA)

2.   How long have you been a Project Manager at your agency?

        a.   ___ between 0 months to 6 months

        b.   ___ more than 6 months, but less than 1 year

        c.   ___ more than 1 year, but less than 5 years

        d.   ___ more than 5 years, but less than 10 years

        e.   ___ 10 or more years

3.   How many contracts do you manage in a <u>month</u>?

(The term "contracts" is inclusive of non-disclosure agreements, blanket purchase agreements, professional services agreements, licensing agreements, master agreements, funding agreements, cooperative agreements, interagency agreements, amendments, change orders, purchase orders, task orders, and task order amendments.)

        a.   ___ between 0 to 5 contracts

        b.   ___ more than 5 contracts, but less than 10 contracts

  c. ___ more than 10 contracts, but less than 15 contracts

  d. ___ more than 15 contracts, but less than 20 contracts

  e. ___ 20 or more contracts

4. **As a follow-up to Question #3, how many of those contracts contain more than six errors during the internal contract review process?** (The term "errors" in inclusive of typos, punctuation, grammar, formatting, incorrect contract provision, etc.)

  a. ___ between 0 to 5 contracts

  b. ___ more than 5 contracts, but less than 10 contracts

  c. ___ more than 10 contracts, but less than 15 contracts

  d. ___ more than 15 contracts, but less than 20 contracts

  e. ___ 20 or more contracts

5. **In your opinion, which of the following <u>benefits</u>, if any, does a Contracts staff drafting the contract and initiating the contract review process have? (select all that apply)**

  a. ___ Improves review time

  b. ___ Reduces redundancy

  c. ___ Minimizes common errors in contracts

  d. ___ Improves standardization of contracts

  e. ___ Frees up time to focus on project management

  f. ___ Enhances the contracting process experience

  g. Don't Know

  h. ___ Other (please list here: _____)

6. **Of the factors listed in Question #5, which do you consider to be the MOST IMPORTANT factor? (select 1 only)**

  a. ___ Improves review time

  b. ___ Reduces redundancy

    c. ___ Minimizes common errors in contracts

    d. ___ Improves standardization of contracts

    e. ___ Frees up time to focus on project management

    f. ___ Enhances the contracting process experience

    g. Don't Know

    h. ___ Other (please list here: _____)

7. **In your opinion, which of the following <u>drawbacks</u>, if any, does a Contracts staff drafting the contract and initiating the contract review process have? (select all that apply)**

    a. ___ Difficulty finding availability of a Contracts staff

    b. ___ Decreases timeliness of finalization of contracts

    c. ___ Delays contract review process

    d. ___ Decreases ownership of project

    e. ___ Increases common errors in contracts

    f. ___ Degrades the contracting process experience

    g. Don't Know

    h. ___ Other (please list here_____)

8. **Of the factors listed in Question #7, which do you consider to be the MOST PROBLEMATIC factor? (select 1 only)**

    a. ___ Difficulty finding availability of a contract staff

    b. ___ Decreases timeliness of finalization of contracts

    c. ___ Delays contract review process

    d. ___ Decreases ownership of project

e.   ___ Increases common errors in contracts

f.   ___ Degrades the contracting process experience

g.   Don't Know

h.   ___ Other (please list here_____)

9.   **Is your agency's contracting processes centralized or decentralized? (select one)**

a.   ___ Centralized

b.   ___ Decentralized

c.   ___ Hybrid (a & b above)

APPENDIX D

KEY INFORMANT INTERVIEW QUESTIONS

1. What is the most difficult aspect of the contracting process?

2. What works particularly well for your agency?

3. What is the most time consuming aspect of the contracting process?

4. What does project managers expect from contracts staff?

5. What does contracts staff expect from project managers?

6. What common errors, if any, do you find during the review and approval process?

7. What training, if any, does your agency provide for project managers?

8. Do you currently utilize technology such as electronic routing for signatures for your review and approval process? If yes, please tell me more. If no, is this something your agency may consider?

9. Is there anything else you would like to add to my study on the contracting process?

APPENDIX E

RESPONSIBIILITIES OF REVIEWERS

1. The <u>Project Manager</u> is responsible for ensuring the preliminary draft work scope in the contract achieves the intended work to be completed by the third-party contractor.

2. The <u>Section Director</u> is responsible for ensuring contracts are in compliance with the adopted budget, reviewing and approving properly completed paperwork, authorizing purchases and contracts within the delegated signature authority, and authorizing vendor payment once goods and services have been rendered.

3. The <u>Contracts Unit</u> is responsible for issuing purchase orders, ensuring all procurements, purchase orders and contracts are in compliance with contract policies and procedures and U.S. Department of Transportation requirements for federally funded procurements.

4. The <u>Legal Office</u> is responsible for the interpreting the legal and regulatory requirements and reviewing contracts for legal sufficiency.

5. The <u>Executive Office</u> is responsible for promulgating these procedures and overseeing their implementation. The Executive Director, Deputy Executive Directors or designee approves procurements and contracts within the delegated signature authority.

6. The <u>Finance Section</u> is responsible for certifying the availability of funds, processing of invoice payments, auditing purchases, financial reporting; and for assuring that all contracts are included in the appropriate authorized budget, including MTC's Overall Work Program and that the required funds are included in the adopted annual budget.

APPENDIX F

Figure 1.

Benefits of contracts staff drafting contracts and initiating the contract review process?

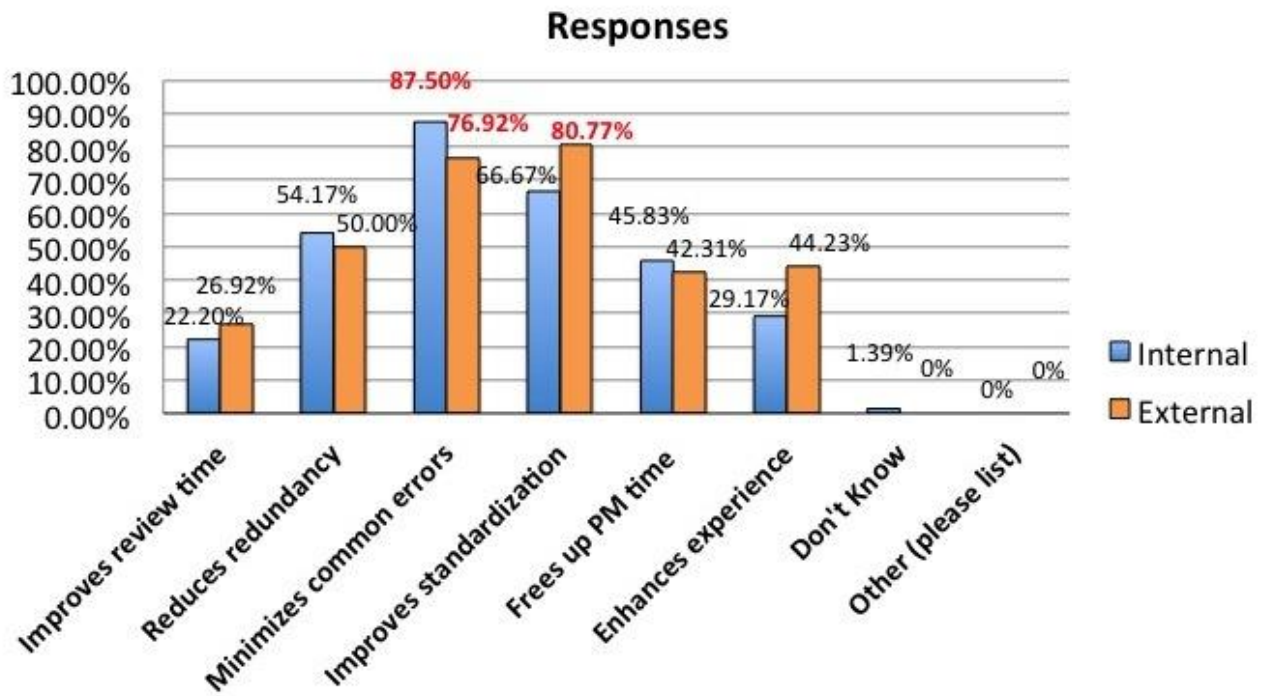(Q#4 for internal PM and Q#5 for external PM)

Responses

Figure 2.

Drawbacks of contracts staff drafting contracts and initiating the contract review process?
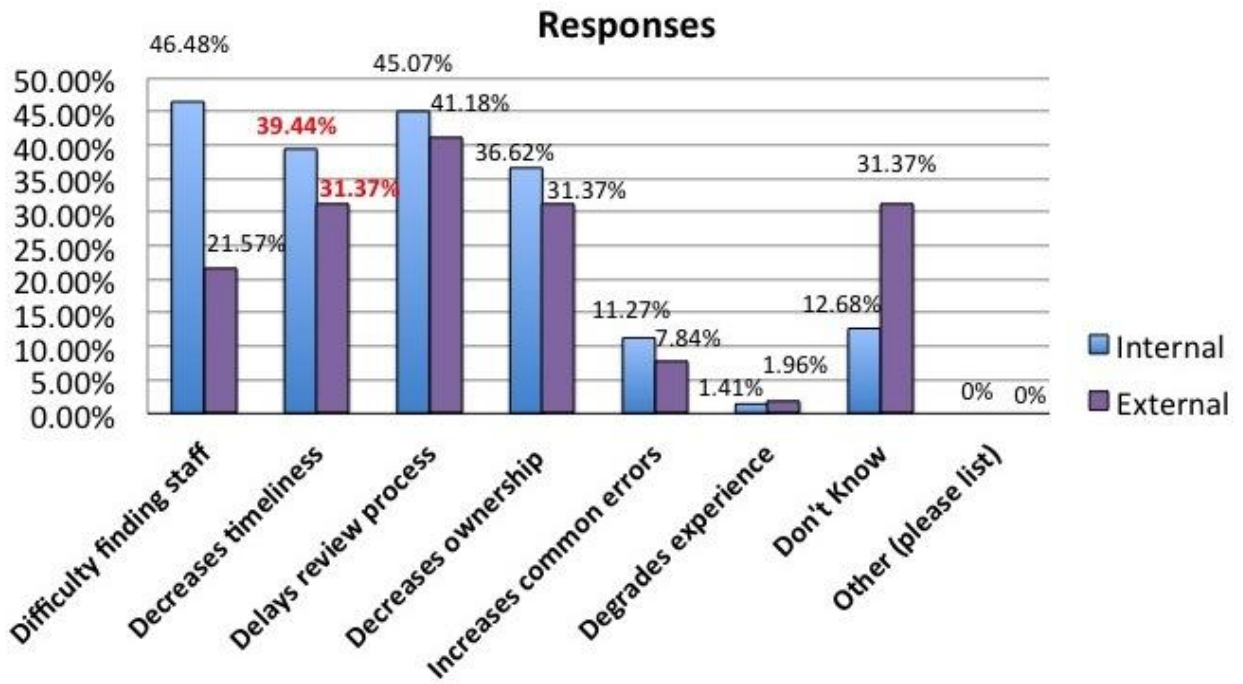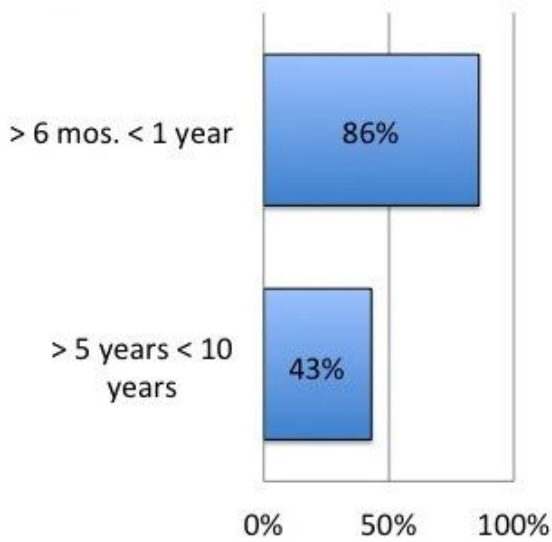(Q#6 for internal PM and Q#7 for external PM)
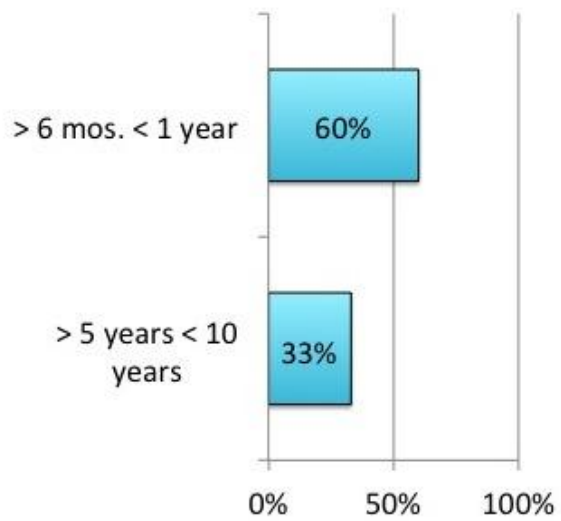
Figure 3.

Project managers with more years of experience will be more effective at minimizing errors
(Q#1, 2 & 3 for internal PM and Q#2, 3, & 4 for external PM)

APPENDIX G

CROSS-TABULATION

A.   Internal Project Managers' Experience

	more than 6 months, but less than 1 year (Respondents: n=22)			more than 5 years, but less than 10 years (Respondents: n=22)	
	Response to Question #2	Response to Question #3		Response to Question #2	Response to Question #3
Respondent 1	more than 10 contracts, but less than 15 contracts	more than 5 contracts, but less than 10 contracts	Respondent 1	more than 5 contracts, but less than 10 contracts	more than 5 contracts, but less than 10 contracts
Respondent 2	more than 5 contracts, but less than 10 contracts	more than 5 contracts, but less than 10 contracts	Respondent 2	more than 15 contracts, but less than 20 contracts	more than 10 contracts, but less than 15 contracts
Respondent 3	more than 10 contracts, but less than 15 contracts	between 0 to 5 contracts	Respondent 3	more than 10 contracts, but less than 15 contracts	between 0 to 5 contracts
Respondent 4	more than 5 contracts, but less than 10 contracts	more than 5 contracts, but less than 10 contracts	Respondent 4	more than 15 contracts, but less than 20 contracts	more than 10 contracts, but less than 15 contracts
Respondent 5	more than 5 contracts, but less than 10 contracts	more than 5 contracts, but less than 10 contracts	Respondent 5	more than 15 contracts, but less than 20 contracts	more than 15 contracts, but less than 20 contracts
Respondent 6	more than 5 contracts, but less than 10 contracts	more than 5 contracts, but less than 10 contracts	Respondent 6	more than 10 contracts, but less than 15 contracts	more than 5 contracts, but less than 10 contracts
Respondent 7	more than 5 contracts, but less than 10 contracts	more than 5 contracts, but less than 10 contracts	Respondent 7	more than 10 contracts, but less than 15 contracts	more than 10 contracts, but less than 15 contracts
Respondent 8	more than 5 contracts, but less than 10 contracts	more than 5 contracts, but less than 10 contracts	Respondent 8	more than 10 contracts, but less than 15 contracts	more than 5 contracts, but less than 10 contracts
Respondent 9	between 0 to 5 contracts	between 0 to 5 contracts	Respondent 9	more than 10 contracts, but less than 15 contracts	more than 10 contracts, but less than 15 contracts
Respondent 10	more than 5 contracts, but less than 10 contracts	more than 5 contracts, but less than 10 contracts	Respondent 10	more than 10 contracts, but less than 15 contracts	more than 10 contracts, but less than 15 contracts
Respondent 11	more than 5 contracts, but less than 10 contracts	more than 5 contracts, but less than 10 contracts	Respondent 11	more than 5 contracts, but less than 10 contracts	more than 5 contracts, but less than 10 contracts
Respondent 12	more than 5 contracts, but less than 10 contracts	between 0 to 5 contracts	Respondent 12	more than 10 contracts, but less than 15 contracts	more than 10 contracts, but less than 15 contracts
Respondent 13	more than 5 contracts, but less than 10 contracts	more than 5 contracts, but less than 10 contracts	Respondent 13	more than 15 contracts, but less than 20 contracts	more than 10 contracts, but less than 15 contracts
Respondent 14	more than 5 contracts, but less than 10 contracts	more than 5 contracts, but less than 10 contracts	Respondent 14	more than 5 contracts, but less than 10 contracts	between 0 to 5 contracts
Respondent 15	more than 5 contracts, but less than 10 contracts	more than 5 contracts, but less than 10 contracts	Respondent 15	more than 10 contracts, but less than 15 contracts	more than 10 contracts, but less than 15 contracts
Respondent 16	more than 5 contracts, but less than 10 contracts	more than 5 contracts, but less than 10 contracts	Respondent 16	more than 5 contracts, but less than 10 contracts	between 0 to 5 contracts
Respondent 17	more than 5 contracts, but less than 10 contracts	more than 5 contracts, but less than 10 contracts	Respondent 17	more than 10 contracts, but less than 15 contracts	more than 5 contracts, but less than 10 contracts
Respondent 18	between 0 to 5 contracts	between 0 to 5 contracts	Respondent 18	more than 15 contracts, but less than 20 contracts	more than 10 contracts, but less than 15 contracts
Respondent 19	more than 5 contracts, but less than 10 contracts	more than 5 contracts, but less than 10 contracts	Respondent 19	more than 10 contracts, but less than 15 contracts	more than 5 contracts, but less than 10 contracts
Respondent 20	more than 5 contracts, but less than 10 contracts	more than 5 contracts, but less than 10 contracts	Respondent 20	more than 10 contracts, but less than 15 contracts	more than 5 contracts, but less than 10 contracts
Respondent 21	more than 5 contracts, but less than 10 contracts	more than 5 contracts, but less than 10 contracts	Respondent 21	more than 5 contracts, but less than 10 contracts	more than 5 contracts, but less than 10 contracts
Respondent 22	more than 5 contracts, but less than 10 contracts	more than 5 contracts, but less than 10 contracts	Respondent 22	more than 15 contracts, but less than 20 contracts	more than 15 contracts, but less than 20 contracts

Summary:	Summary:
19/22 or 86%, project managers with many errors in proportionate to contracts managed	**9/22 or 41%, project managers with many errors in proportionate to contracts managed**
3/22 or 14%, project managers with few errors in proportionate to contracts managed	**13/22 or 59%, project managers with few errors in proportionate to contracts managed**

B.   External Project Managers' Experience

	more than 6 months, but less than 1 year (Respondents: n=5)			*more than 5 years, but less than 10 years* (Respondents: n=21)	
	Response to Question #3 (# of contracts)	**Response to Question #4 (# of contracts with errors)**		**Response to Question #3 (# of contracts)**	**Response to Question #4 (# of contracts with errors)**
Respondent 1	more than 5 contracts, but less than 10 contracts	more than 5 contracts, but less than 10 contracts	Respondent 1	more than 15 contracts, but less than 20 contracts	more than 10 contracts, but less than 15 contracts
Respondent 2	more than 5 contracts, but less than 10 contracts	more than 5 contracts, but less than 10 contracts	Respondent 2	more than 10 contracts, but less than 15 contracts	more than 10 contracts, but less than 15 contracts
Respondent 3	more than 5 contracts, but less than 10 contracts	between 0 to 5 contracts	Respondent 3	more than 5 contracts, but less than 10 contracts	more than 5 contracts, but less than 10 contracts
Respondent 4	more than 5 contracts, but less than 10 contracts	between 0 to 5 contracts	Respondent 4	more than 5 contracts, but less than 10 contracts	more than 5 contracts, but less than 10 contracts
Respondent 5	more than 5 contracts, but less than 10 contracts	more than 5 contracts, but less than 10 contracts	Respondent 5	more than 15 contracts, but less than 20 contracts	more than 15 contracts, but less than 20 contracts
			Respondent 6	more than 10 contracts, but less than 15 contracts	between 0 to 5 contracts
			Respondent 7	more than 5 contracts, but less than 10 contracts	between 0 to 5 contracts
			Respondent 8	more than 5 contracts, but less than 10 contracts	between 0 to 5 contracts
			Respondent 9	more than 5 contracts, but less than 10 contracts	between 0 to 5 contracts
			Respondent 10	more than 5 contracts, but less than 10 contracts	between 0 to 5 contracts
			Respondent 11	more than 10 contracts, but less than 15 contracts	more than 5 contracts, but less than 10 contracts
			Respondent 12	more than 10 contracts, but less than 15 contracts	between 0 to 5 contracts
			Respondent 13	more than 10 contracts, but less than 15 contracts	more than 5 contracts, but less than 10 contracts
			Respondent 14	more than 10 contracts, but less than 15 contracts	between 0 to 5 contracts
			Respondent 15	more than 10 contracts, but less than 15 contracts	more than 5 contracts, but less than 10 contracts
			Respondent 16	more than 5 contracts, but less than 10 contracts	more than 5 contracts, but less than 10 contracts
			Respondent 17	more than 5 contracts, but less than 10 contracts	between 0 to 5 contracts
			Respondent 18	more than 10 contracts, but less than 15 contracts	more than 10 contracts, but less than 15 contracts
			Respondent 19	more than 10 contracts, but less than 15 contracts	more than 10 contracts, but less than 15 contracts
			Respondent 20	more than 15 contracts, but less than 20 contracts	more than 5 contracts, but less than 10 contracts
			Respondent 21	more than 5 contracts, but less than 10 contracts	between 0 to 5 contracts

Summary: **3/5 or 60%, project managers with many errors in proportionate to contracts managed** **2/5 or 40%, project managers with few errors in proportionate to contracts managed**	Summary: **7/21 or 33%, project managers with many errors in proportionate to contracts managed** **14/21 or 67%, project managers with few errors in proportionate to contracts managed**

APPENDIX H

CONTRACT STAFFING LEVELS

Transportation Agency	Centralized or Decentralized?	# of Total Employees	# of Contracts Staff (Estimated total)
Metropolitan Transportation Commission (MTC)	Decentralized	246	5
Alameda - Contra Costa Transit District (AC Transit)	Centralized	1,852 (more than 1,100 bus operators) =752 administrative	9
Golden Gate Bridge Highway and Transit District (GGB)	Centralized	800	16
San Mateo County Transit District (SamTrans)	Centralized	727	14
San Francisco Municipal Transportation Agency (SFMTA)	Hybrid - Decentralized from City and County of San Francisco/ Centralized within SFMTA	2,500 employees (2,200 vehicle operators) = 300 administrative	11
Santa Clara Valley Transportation Authority (VTA)	Centralized	Over 2,000 employees	29