Subcontractor Management

Nelson Kakande
Program Coordinator, Clinical Operations and Health Services Research Program
Joint Clinical Research Centre, Kampala, Uganda
Outline of the Presentation

• What is a contract/subcontract?
• Responsibilities of prime recipient
• Selecting subcontractors
• Responsibilities of a subcontractor
• Common challenges in managing subcontractors
• Effective subcontractor management
What is a Contract?

• Contract: An agreement between two or more parties that creates an obligation to perform a particular duty
Prime Recipient/Contract

• The prime recipient is the organization/entity that is the direct recipient of the sponsor’s funds/contract and in this capacity assumes a number of responsibilities, including management of subcontracts

• There is a growing number of prime recipients using subcontracting as the principle means of delivery; this makes management of contracting important
What Is a Subcontract?

- Any contract or agreement to perform work in support of or on behalf of a prime
- The subcontract provisions are influenced by the prime’s contract
- Any modification to the provisions in the statement of work by a subcontractor will require approval from the prime
Statement of Work

• The statement of work outlines the procedures and methods the subcontractor will employ in accordance with the goals of the project proposed by the prime recipient of the contract
Roles of Prime Contractor

- Determine and justify proportion of work to be subcontracted
- Assess and approve contracting arrangements
- Remain accountable to the sponsor for the performance of subcontractors
- Monitor subcontractors’ compliance with rules, regulations, etc.
- Prepare written contracts or agreements with subcontractor, with detailed expected performance and monitoring arrangements
- Appoint personnel to lead monitoring and evaluation with subcontractors
- Manage the **surveillance plan**
Prime Contract Surveillance Plan

The surveillance plan is a proven performance support tool.

• Sets out the prime’s arrangement to monitor the subcontractor’s compliance with contract provisions
• Identifies the critical work processes, delivery schedule, deliverables, costs, etc.
• Used in identifying the challenges inherent in the contractor performance

NB: Best practices clearly indicate that proper planning, selection of a reputable subcontractor, and appropriate oversight of subcontractor performance will most likely yield the best results.

As a prime contractor, you should rely on the subcontractor for quality control—your responsibility is quality assurance!
Basic Information for Evaluating the Suitability of Subcontractors

- Company details, including history, financial systems, and competence
- Management, capability/skills of employees, appropriate accreditation, relevant experience, and desired resources
- Approach to risk management at work and continuous improvement

Verify that subcontractors are fully aware of your requirements (e.g., quality, timeliness, available funds, complaint handling)
General Issues to Consider When Subcontracting

- Requirements for grant application preparation
- Policies and procedures governing the prime
- Project monitoring and evaluation procedures
- Records management
- Accounting systems and reporting
- Budgeting, costs, and expenditure controls
- Personnel management
- Procurement and assets management procedures
- Travel regulations
- Performance measures (deliverables and milestones)
Subcontract at Grant Application Process

• For some sponsors, a signed “letter of intent/commitment to form a subcontract agreement” is required

• Information on scope of work, contract arrangements and contact information of the subcontractor may be required

• When making budgets, follow the instructions of the call for application (e.g., calculating F&A costs)

• For NIH grant applications, the requirements are well stated (e.g., NIH attachment on subcontract arrangements, budget, etc.)
Guiding Questions for Self-Assessment and Subcontract Review—Role of Prime Recipient

• How do subcontractors keep you informed of progress?
• How is your quality system applied to your subcontractors?
• How do you keep your subcontractors informed of client requirements?
• How do you measure the effectiveness of your subcontractors?
• How do you ensure that subcontractor-related problems are resolved swiftly?
Guiding Questions for Self-Assessment and Subcontract Review—Role of Prime Recipient (cont.)

- How do you check external reports of subcontractors?
- How do you seek continuous improvement of the subcontractor?
- How do you deal with underperformance by the subcontractor?
- How do you ensure that your subcontractors protect research participants and the project image?
Common Challenges in Subcontracting

• Subcontractors’ failure to understand or not being fully aware of clients’ requirements
• Payment terms received by the prime not passed on to subcontractors at all or as agreed in the provisions
• Weak operational management of prime or subcontractors
• Poor performance management of subcontractors
• Relationships between prime and subcontractors being largely informal
• Bias in subcontractor selection
Common Mistakes

• Noncompliance with special terms and conditions of the sponsor and as required by the prime in the subcontract provision
• Approval of subcontractors without proper assessment
• Making unallowable costs
• Misallocation of costs
• Conflict of interest
• Inaccurate effort reporting for personnel
• Weak performance monitoring and evaluation
Characteristics of Effective Subcontract Arrangements

• Transparency and clarity about which subcontractors are being used
• Formal agreements between prime and sub contractors
• Subcontractors have high degree of awareness of prime’s methods of working and client’s expectations
• Subcontractors are allowed to attend client/contractor progress meetings
Characteristics of Effective Subcontract Arrangements (cont.)

- Subcontractors are encouraged and rewarded for innovation
- Adherence to formal procedures for selection, surveillance plan, following the statement of work, etc.
- Prime receives/reviews copies of subcontractor progress meetings, post-inspection reports, accreditation, etc.
- Subcontractor performance is a standing agenda item in meetings