

Selecting and Working With Outside Consultants & Contractors

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In light of new ways of doing business and ongoing budgetary challenges, many organizations are considering the use of outside consultants/resources for projects and services. If administered appropriately, these arrangements can provide highly specialized, professional services, often in a more cost effective way than if full-time staff were hired. Having procured and worked with outside consultants in a number of different capacities, I thought it would be helpful to provide some tips that have benefited me and the organizations with which I've worked.

Tip #1: Hire the best consultant possible. You, your department, and your organization may be judged by the consultant you hire – a good selection will serve all interests well, but a bad selection can haunt you for years.

Tip #2: Always obtain bids. There are two typical ways this can be done: invited bids, solicited from a select group of consultants who perform the services needed; and open or competitive bids, where the bidding process is liberally publicized and advertised, and any qualified consultant may apply.

Since my work deals primarily with Human Resources, I find that invited bids serve well for many purposes. For example, if I am soliciting bids for health insurance, I do not want to deal with bids from insurance companies who are in a questionable financial position and/or who have a reputation of service problems.

Tip #3: Develop a Request for Proposal (RFP). There are a number of things you'll want to include in the RFP:

- ✓ A complete description of the project, including exactly what the work will entail
- ✓ Information regarding the anticipated interaction with staff and applicable information regarding their functions and responsibilities
- ✓ Detailed information regarding any special requirements (e.g., percent of time to be spent on-site, expected travel, reporting requirements, etc.)
- ✓ Information regarding criteria to be used to evaluate proposals (e.g., experience of bidders on similar projects, record for completing projects on time and within budget, proposed cost, etc.)

You'll also want to ask for the following information to be provided in the submitted proposal:

- ✓ Proposed start and complete dates
- ✓ Proposed cost

- ✓ Information on firm/organization
 - Names of officers and principals
 - Number of years in business
 - Number of full-time employees
 - Resumes of employees expected to work on project, percent of workload each is expected to assume and hourly fees
 - List of similar projects conducted within last year, including names, titles, and phone numbers of references
 - Estimated billings per employee for time, travel, and expenses

Tip #4: Include a cover memo. This memo should not only invite proposals, but can provide additional information that would help the consultant/resource in the preparation and submission of a proposal. Items to consider including in the cover memo are:

- ✓ Information regarding the organization and its philosophy and/or mission
- ✓ Number of copies of proposal needed
- ✓ Date and time proposal is due (30-60 days is fairly standard)
- ✓ Consequence of late proposals
- ✓ Recipient contact information
- ✓ Any restrictions on the process (Some organizations allow no individual contact with bidders until contract has been awarded – all bidders are invited to a pre-bid meeting to have their questions addressed)
- ✓ A list of enclosures (e.g., the RFP, a sample contract, etc.)

Tip #5: Develop a sound contract that is specific regarding expectations. Items to include in the contract are:

- ✓ Effective dates
- ✓ Compensation – specify exactly what you will and will not pay for
 - Hourly rates plus actual out-of-pocket expenses
 - Coach vs. first class flight accommodations
 - Mileage or rental expenses for auto
 - Fees for travel time, if applicable
 - Reimbursements for telephone calls and other business related expenses
- ✓ Expense cap (If this is exceeded, it is the consultant’s responsibility to absorb costs required to complete the project)
- ✓ Billing information
- ✓ Insurance requirements
- ✓ Termination clause
- ✓ Independent contractor status (The consultant is responsible for paying all federal, state and local taxes as required on all fees received)

Tip #6: Thoroughly review RFPs, and carefully check references. Much is revealed during this due diligence; however, in our haste to get someone on board and get our project going, we sometimes shortchange these very important steps.

It is absolutely appropriate to disqualify RFPs that do not address everything as requested and/or are sloppy work products themselves. If there are few details regarding the work to be performed, you may reject the RFP or request that the vendor provide additional information. One word of caution, though – if you have to “babysit” the RFP process, chances are you may end up “babysitting” the project if this consultant is selected. I also do not recommend granting any extensions for submission of the RFP. If a vendor can’t meet a reasonable deadline, he/she may have difficulty meeting project timelines.

Factors to be evaluated in the RFPs include: appropriate methodology for the project; work/services will meet federal, legal and professional standards; references; problem resolution; whether proposal is tailored to your organization’s project or whether it appears to be standard, “off the shelf” fare; timelines; and cost.

In terms of references, I like to obtain the name of six to eight clients that I can contact regarding the consultant’s services. If you don’t recognize the names or types of organizations provided as references, ask the consultant to provide more specific information. It is not unheard of for an unethical consultant to provide the names of friends and family members as references. When you do talk with references, ask about: the scope of the project; the specific work performed by the consultant; the quality of the services delivered; whether timetables were met; whether the project was completed within budget; whether the consultant was easy to work with; and whether the client would use him/her again.

Tip #7: Successfully monitor the consultant throughout the project. Monitoring a consultant can take a significant amount of time, but consider this an investment of your time in making the project, the consultant, and you and your team successful. Regularly meet with the consultant to receive progress reports and discuss any issues. Review billings to make sure they are consistent with the contract. Talk with employees who are working with consultants to get their feedback and to identify any problems or issues. The more you can do to eliminate surprises, the more successful this component of the project will be.

Tip #8: Review a draft of the final report. Ask to receive the final project report in draft form before it is officially presented. Read it thoroughly, checking for accuracy of information, spreadsheets, etc. Request revisions if appropriate. Remember that a good technical report provides enough detail so that the project or the research could be duplicated.

Tip #9: Ensure you get what you pay for. I was once informed that a “search firm” had been contracted to fill a fairly high level position within an organization where I worked. I had never heard of or worked with this particular firm. The firm referred candidates and, when one was subsequently hired, the organization paid the firm a substantial amount of money (typically 20% of the person’s annual salary for the first year). When the “employment” package got to the HR office, though, we found that the candidates referred were already on file with the firm and that no real recruitment was done for the needs of this particular position. Further, we found that the firm did very

little to verify the accuracy of the information on these candidates' resumes. They did absolutely nothing in the way of reference checking or background investigations. These are steps that should never be overlooked, regardless of who is doing the hiring, especially for higher level and/or more visible positions within an organization. The bottom line is that the organization paid a substantial amount of money for that "search firm" to be nothing more than a resume referral service for already established clients.

Tip #10: Take advantage of many resources to assist you. The ABA Division for Bar Services has a significant amount of information available on this topic that they are happy to provide. Fellow NABE organizations and colleagues can be great resources as well. For example, The State Bar of Wisconsin has an excellent "model" RFP for audit and accounting services that it has willingly shared through the NABE network.

Happy contracting!

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