



TITLE	POLICY NUMBER	
Contract Governance	DCS 02-44	
RESPONSIBLE AREA	EFFECTIVE DATE	REVISION
Office of Procurement & Contracts	January 27, 2020	

I. POLICY STATEMENT

The Department of Child Safety (“DCS” or “the Department”) is committed to the provision of services that ensure the protection of children, create safe home environments, and facilitate the achievement of permanency. This policy is predicated on the concept of contract governance, a managerial methodology that underscores the overall performance of the partnership between vendors and DCS and includes a clear escalation path for issue resolution.

II. APPLICABILITY

This policy applies to all DCS employees.

III. AUTHORITY

[A.R.S. § 8-453\(A\)\(11\)\(B\)\(2\)](#) Powers and duties

[A.R.S. § 41-2501 et seq.](#) Arizona Procurement Code

IV. DEFINITIONS

Client: External individuals whom DCS supports in alignment with the Department’s mission and vision.

Contract Action: The Department’s response to a performance issue determined to be valid by the Office of Procurement & Contracts.

Contract Governance Committee: Includes members of Executive Leadership (defined below), Chief Quality Improvement Officer, Contracts Manager, Compliance Manager, and the Office of Licensing and Regulation.

Customer: Any internal DCS employee who utilizes any DCS-awarded contract for goods or services.

Department or DCS: The Arizona Department of Child Safety.

Employees: All individuals employed by the Department of Child Safety, including temporary or contracted workers.

Executive Leadership: Deputy Director of Support Services, Deputy Director of Field Operations, Assistant Director of Support Services, and Chief Procurement Officer.

Fidelity & Compliance Services Unit (FCS): The unit responsible for monitoring the fidelity and compliance of contracted vendors providing services under an awarded DCS contract.

Legal Advisors: The Office of the Attorney General and the Office of General Counsel.

Office of Procurement & Contracts (OPC): The team responsible for the Department's procurement activities and contracted services.

Performance Issue: A documented concern of a vendor's execution of contractual duties or abiding by contractual requirements.

Performance Praise: A documented compliment of a contracted vendor's performance while carrying out their contractual duties.

Provider: A vendor awarded with a contract to provide a good or service to, or for, DCS.

Service Coordinator: A DCS staff member who monitors the fidelity and compliance of a program by conducting site visits and offering technical assistance to providers.

Vendor: A service provider contracted with the Department.

Vendor Performance Report (VPR): An internal communication mechanism between DCS employees and the Office of Procurement and Contracts (OPC) to help document and communicate contract performance issues and praise.

V. POLICY

A. Roles and Responsibilities

1. The Fidelity & Compliance Services Unit (FCS) shall be responsible for:
 - a. intake – logging and tracking of Vendor Performance Reports (VPR) and their status;
 - b. conducting an initial review, making a determination, and suggesting a resolution;
 - c. tracking and metric/visual management reporting on VPRs;
 - d. communicating to providers (non-contract actions);
 - e. communicating to customers (resolution and close-out);
 - f. saving all communication in a designated unit location.
2. The Contracts Unit shall be responsible for:
 - a. intake – logging and tracking of VPRs and their status for programs/services that do not fall under FCS oversight obligations (e.g. congregate care (group homes), Foster and Adoption Support, etc.).
 - b. conducting a secondary and final review and determining the status of VPRs resulting in a contract action;
 - c. compiling documentation regarding pending issues for monthly Contract Governance Committee meetings with DCS leadership and facilitating the meetings;
 - d. liaising with the Office of Attorney General/Office of General Counsel;
 - e. communicating to providers (contract action only);
 - f. providing direction to referral units based on contract action;

g. filing documentation in the official vendor file.

3. The Contract Governance Committee shall be responsible for:

a. reviewing all pending issues overseen by the Compliance and Contracts Units;

b. determining appropriate timelines;

c. seeking legal counsel;

d. approving specific contract actions, which may include:

i. a corrective action plan;

ii. a formal notice and follow up/monitoring;

iii. placing a hold on services;

iv. a demand for assurance letter;

v. a contract termination.

B. Vendor Performance Reporting

The purpose of the Vendor Performance Reporting is to create an internal communication mechanism for DCS staff and Office of Procurement and Contracts (OPC) to help document and communicate contract performance issues.

1. VPRs shall be used for reporting contracted performance for all vendors, including business services (e.g., security, temporary staff agencies), and client services (e.g., in-home and out of home and service providers).

2. Vendor Performance Reporting is an internal process exclusively for DCS staff to communicate with OPC.

a. VPRs shall not be used by contracted vendors or providers.

b. VPRs shall not be submitted directly to contracted vendors or

providers by DCS staff.

3. Vendor Performance Reporting is not a substitute for other reporting requirements (see DCS Policy Manual, Administrative Policy, [DCS 02-12 Unusual Incident Reporting](#)).

C. Audit Management Team Findings

Any audit findings pertaining to contract performance shall be forwarded to the Contract Governance Committee for review and resolution.

D. Contract Governance Committee Meeting

A Contract Governance meeting, at which all prospective contract actions will be reviewed and decided, shall occur monthly.

Meetings will be attended by DCS Deputy Directors, Assistant Director of Support Services, Chief Procurement Officer, Contracts Manager, Compliance Manager, Audit Management Services Administrator, the Office of General Counsel, the Office of the Attorney General, and the Office of Licensing and Regulation.

E. Informal Contacts

Communications alleging a contract deficiency from a non-DCS employee are not documented in a VPR but will be accepted by OPC.

VI. PROCEDURES

A. Vendor Performance Reporting Process

1. Submission of Report

DCS employees who observe or are informed of a vendor performance issue, or a vendor action deserving praise, may complete a VPR. VPRs are available for download from the DCS Digital Library. Completed VPRs and all supporting documentation may be submitted to OPC at Contracts@azdcs.gov. The reporting DCS employee should supply the following information:

- a. contact information for the employee submitting the VPR including:
 - i. name;
 - ii. title;
 - iii. name of DCS unit;
 - iv. telephone number;
 - v. email address.

- b. vendor information including:
 - i. name of contracted agency the VPR is intended to address;
 - ii. contract name and contract number, if known;
 - iii. name of person(s) at the contracted agency knowledgeable about the reported actions;
 - iv. telephone number of the person(s) at the agency;
 - v. email address of the person(s) at the agency.

- c. description of the performance action including:
 - i. date of incident;
 - ii. location of incident;
 - iii. person(s) who observed the action;
 - iv. whether the observer is a DCS employee, client, or another;
 - v. an accurate and factual description, with documentation supporting the claim, of the contract actions necessitating the VPR.

- d. description of any attempted resolution (if applicable) including:
 - i. date the resolution attempt occurred;
 - ii. name of person(s) taking the resolution action;
 - iii. whether the person(s) taking action was referred to someone or someplace else; and if so, to whom or where they were referred;
 - iv. a description of the attempted resolution;
 - v. person(s) who witnessed the attempted resolution;
 - vi. the contact information of the person(s) who witnessed the attempted resolution;
 - vii. notes regarding the attempted resolution.

2. Intake by Contracts Administration/Procurement

- a. The Intake to Review process should be completed within one (1) business day. Staff monitor the OPC mailbox daily to accept incoming VPRs.
- b. As VPRs are received, they are routed to the Service Coordinator based on the program/service contract area. For example, if the VPR pertains to a Parent Aide vendor, it will be routed to the Service Coordinator who is assigned to the Parent Aide program. If there is no Service Coordinator, the VPR will be routed to a Contracts Specialist.
- c. Within one (1) business day of receipt of an email containing a VPR, the VPR is logged into the *Vendor Performance Log*, an Excel file located in the Procurement shared drive. The VPR will be logged under the name of the provider and all relevant fields will be completed. If information is missing, the employee who submitted the VPR will be contacted. A color-coded process will be used:

- i. green: Compliance Unit Service Coordinators are able to resolve;
 - ii. yellow: requires Contracts Unit secondary review and Contract Governance Committee for approval;
 - iii. red: requires immediate contract action involving Contract Governance Committee and legal advice.
 - d. The VPR electronic file will be saved in the Contracted Services folder in the shared drive under the name of the vendor. If there is a need to share the VPR with the vendor, all internal staff names and all confidential information will be redacted.
3. Review and Determination Process by Compliance Unit
 - a. When the Service Coordinator receives the VPR, the performance issue will be reviewed and evaluated within seven (7) business days based on the contract scope, language, and terms and conditions. If needed, the Service Coordinator may also contact the vendor agency to document their perspective on the matter, or follow up with DCS staff if more information is needed.
 - b. The Service Coordinator will determine if the reported issue can be handled by coordination between DCS staff and vendor or if the issue is a direct violation of the terms and conditions of the contract. The following criteria for this determination include, but are not limited to:
 - i. severity of the VPR/issue;
 - ii. frequency of the issue with the reported vendor;
 - iii. whether the reported issue constitutes a violation of the terms of the contract;
 - iv. whether the issue can be resolved by communication (e.g., phone call) between DCS staff and the vendor.
 - c. If the VPR cannot be resolved by the Service Coordinator, the process will advance to a secondary review from the assigned Contracts Specialist. The Service Coordinator and Contracts

Specialist will review the VPR and jointly agree on the next action step to resolve the VPR issue within three (3) business days.

4. Review and Determination Process by Contracts Unit

- a. The Contracts Unit will review the recommended action from the Service Coordinator.
- b. If official contractual action is recommended, it shall follow an escalating series of steps that include the following.
 - i. **Monitoring** allows for OPC and/or the Compliance Unit to communicate with the vendor, discuss resolutions, and monitor the vendor for any future similar incidents. Actions that allow for monitoring are minor infractions that did not cause harm or potential threats of harm to DCS employees or DCS clients (e.g., submitting reports late). Monitoring may occur at any time in the VPR process.
 - (a) If a similar incident occurs within six (6) months, a higher-level contract action will be considered as the next step.
 - ii. **Informal Corrective Action Plan (CAP)** consists of an informal written communication to the vendor notifying them of the contents outlined within the VPR. The communication allows the vendor to provide an explanation to the situation. The Service Coordinator or Contracts Specialist will review and determine if the explanation is acceptable and will move the matter to monitoring status. Informal CAPs do not count against a vendor's past performance measures during a future solicitation evaluation. The vendor is given a deadline for returning the requested information.
 - (a) If a similar incident occurs within six (6) months, a higher-level contract action will be considered as the next step.

- iii. **Formal Corrective Action Plan (CAP)** consists of a formal letter sent via email to the vendor outlining the contents within the VPR, referencing the sections of their contract that are in violation, and requests the vendor to return a formal corrective action plan utilizing the provided form and format. Formal CAPs count against a vendor's past performance measures and will result in a loss of points during a future solicitation evaluation. The vendor is given a deadline for returning the requested CAP.
 - (a) If a similar incident occurs within six (6) months, a higher-level contract action will be considered as the next step.
 - (b) Formal CAPs may only be issued by the Office of Contracts.

- iv. **Demand for Assurance (DFA)** consists of a formal letter sent via email to the vendor outlining DCS's demand for assurance. The letter will outline the violations that pertain to the contract and how the vendor is expected to remedy the violations. DFAs will result in a loss of points during a future solicitation evaluation. The vendor is given a deadline for producing all remedies outlined in the DFA.
 - (a) If a similar incident occurs within six (6) months, a higher-level contract action will be considered as the next step.
 - (b) DFAs may only be issued by the Office of Contracts.

- v. **Termination** consists of DCS notifying the vendor that their contract is being terminated due to contract violations and no options to continue any services under said contract will continue effective the date indicated in the letter of termination sent to the vendor's via email. Terminations will result in a loss of points during a solicitation evaluation, and may affect their ability to respond to future DCS solicitations.

- (a) Terminations may only be issued by the Office of Contracts.
- c. Official contractual actions are maintained by the Department in accordance with the Arizona State Library Archives and Public Records Schedule and shall be considered when evaluating solicitations for a period of five (5) years.
- d. Any VPR action recommended will be added as an agenda item at the Governance Review meeting. All necessary documentation and evidence to justify the recommendation must be prepared and presented at the Governance Review meeting.
- e. Any determination that results in a contract suspension, restriction, termination, or cancellation must adhere to the following steps:
 - i. creation of a timeline of all interactions to support the recommended action;
 - ii. preparation of a memo outlining the contractual citation which has been breached and the citation supporting the recommended contract action;
 - iii. notification and approval from Executive Leadership.
- f. Final determination and action by the Contracts Governance Committee will be documented in the VPR log. An email will be sent back to the employee/customer, notifying them of the action taken.

VII. FORMS INDEX

[Vendor Performance Report \(DCS-1071A\)](#)

Attachment A

Vendor Performance Report Type of Determinations and Approval Matrix

Determination/ Action	Description	Required Approvals
No Action	There is no evidence, or insufficient evidence, to support the reported claim; no contract issue exists.	None
Informal Action (phone call or email)	The reported issue does not directly violate the terms of the contract; there is no evidence, or insufficient, evidence, to support the reported claim, however there are concerns about which the vendor should be made aware. This follow-up could be accomplished in a phone call or email.	None
Informal Action (email)	The reported issue violates the terms of the contract, however the severity does not require an official CAP or DFA letter. Evidence or supporting documentation is included to support the claim (e.g., submitting reports late; not updating Quick Connect).	Contracts Specialist/Service Coordinator cc: Contracts Manager and Compliance Manager
Formal Action: Corrective Action Plan (CAP)	There is evidence that the reported issue violates the terms of the contract. A formal CAP is written and submitted to the vendor. Evidence or supporting documentation is included to support the claim. Vendor is required to respond on the provided CAP form.	Contracts Manager cc: Compliance Manager
Formal Action: Demand for Assurance (DFA)	The reported issue clearly violates the terms of the contract and supporting evidence is provided that concerns the health and safety of a child. A DFA letter is written and submitted to the vendor. Evidence or supporting documentation is included to support the claim.	Assistant Director of Support Services, Chief Procurement Officer Cc: Contracts Manager and Compliance Manager
Formal Action: suspension, restriction, termination, or cancellation of contract	Any determinations that will result in a contract suspension, restriction, termination, or cancellation must follow the steps below: 1. Creation of a timeline of all interactions to support recommended action; 2. Preparation of a memo outlining the contractual citation which has been breached and the citation supporting the recommended contract action; 3. Notification to and approval from Executive Leadership.	Executive Leadership cc: Contracts Manager and Compliance Manager

Typical Escalation Process:

Informal Action > Informal CAP > Formal CAP > DFA > 2nd DFA > Termination