

Contracting For Program Evaluation Resources

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RÉSUMÉ

Un certain nombre de problèmes dans le rééquilibrage des ressources internes avec celles du secteur privé, ainsi qu'avec le processus même de la passation des contrats, a incité le ministère des Approvisionnement et services à essayer d'établir des méthodes pratiques pour l'évaluation des programmes en tenant compte de l'expérience des autres ministères. Onze ministères et organismes ont été questionnés sur trois sujets principaux: l'équilibre de ressources internes et de celles du secteur privé; le processus de sélection des entrepreneurs; et la question des coûts et des budgets. Les réponses à ce questionnaire se traduisent en une «recette assurée» afin de bien gérer la fonction d'évaluation, compte tenu de la tendance actuelle visant à utiliser davantage les ressources du secteur privé.

ABSTRACT

A number of problems with balancing in-house and contract resources, and with the contracting process itself, prompted DSS to try to establish some "rules of thumb" for program evaluation, based on the experience of other government departments. Questions were asked of eleven departments and agencies on three main topics: the balance of in-house and contract resources, the process of selecting contractors, and the issue of costs and budgets. The resulting responses translate into a "pattern for success" for managing the evaluation function, in light of the current trend to increased use of contracting resources.

Introduction

This study was undertaken as one element in a twelve-month reorganization and revitalization of the program evaluation function in the Department of Supply and Services (DSS). A number of problems with balancing in-house and contract resources, and with the contracting process itself, prompted DSS to try to establish some "rules of thumb" for program evaluation. What follows is a summary of the information collected from interviews with the directors of evaluation in eleven departments and agencies: National Defence, Regional and Industrial Expansion, Public Works, Canada Mortgage and Housing, Transport Canada, Agriculture, Indian and Northern Affairs, Employment and Immigration, Health and Welfare, Environment, and Communications. These departments were picked for their well established and well articulated evaluation functions and because they run the gamut from small to large. Questions were asked on three main topics: the balance of in-house and contract resources, the process of selecting contractors, and the issue of costs and budgets for program evaluation.

Percentage and Type of Contract Work

The study found wide diversity among the eleven departments in the percentage of evaluation work they contract out. The range ran from National Defence, buying less than one percent of their requirements, to the Department of Environment (DOE), contracting out almost 100 percent of the work of their central evaluation group. For most departments, consulting services represent one to two thirds of their resources.

In almost all cases, the trend is towards more contracting. This appears to be for two reasons. Program evaluation groups are particularly vulnerable to staff reductions; most of the areas had cut back their person-year complement over the last few years. Secondly, and perhaps more significantly, there is a growing consensus on the value of infusing consulting resources into the process of program evaluation. Consultants can bring to bear special expertise, which is not available in-house. Departments cited such examples as statistical and economic analysis, specialists in drugs, food, biochemistry etc. And contract work can enhance the objective quality of an evaluation, by offering a truly outside opinion. This is particularly apt in evaluations that have a degree of political unpopularity or sensitivity.

Role of In-House Staff

The use of consultants was, however, strongly qualified by all departments. There was a consensus that a large part, if not all, of the assessment phase of an evaluation should be performed in-house. Departments who, because of scarcity of resources, were moving into contracting for assessments expressed dissatisfaction with the experience. For instance, National Health and Welfare (NHW) had recently bought an assessment of the New Horizons (Contributions to the Elderly) Program, and found that, although the consultant had some good ideas, they essentially had to rewrite the report in-house. A common theme was the importance of maintaining a solid core of internal expertise. This was stressed as crucial for a successful evaluation function. Without this core, departments are unable to define requirements and create adequate terms of reference. To develop and maintain expertise, departmental evaluators advised:

- a) The retention of (at a very minimum) the design of the assessment phase, and, more preferably, the whole assessment. This gives in-house staff a solid knowledge of the essential aspects of the evaluation that enables them to effectively manage the subsequent study.
- b) The division of the subsequent study into a number of pieces; these pieces would in general represent small-sized contracts (\$25,000 or less) for survey work, questionnaires, background studies, and a variety of other predominantly data-gathering activities.
- c) Tight and active exercise of project management by the evaluation group for all contracts and throughout all phases of an evaluation. In other words, most departments advised emphatically against contracting out an entire evaluation. The Department of Communications (DOC) described this notion as the abdication of the most fundamental aspect of the evaluation function. Many departments even questioned the feasibility of allowing a consultant to handle a whole phase. It was felt

that private sector firms lack the expertise in the internal workings of complex programs necessary to effectively perform the project management. NHW pointed out that in their Department there is sometimes a lack of performance indicators. This results in the need to develop information by cleaning up data and getting the information in shape, a process that in-house staff can best accomplish.

Departments foresaw no problem with hiring different consultants to work on different phases of an evaluation. In fact, as indicated above, they recommended the division of the study into portions. Of these, they advised buying data-gathering, tabulation and preliminary analysis, and performing internally requirements definition, final analysis, conclusions, recommendations, and the dovetailing of all the contract activities through rigorous project management.

It was recognized that such an approach required the maintenance of a "critical mass" of internal staff. From the perspective of project management, it is of course much less time consuming to contract out large chunks, whole phases, even complete evaluations. The general view, however, was against such an approach. It was felt to be safer to have four contracts for \$25,000 than one for \$100,000. If one consultant misses the boat, you still have four pieces with which to create a report. (Not to mention the fact that it is much easier to argue with a firm over a \$25,000 contract than over one for \$100,000.)

To this view, Department of Communications evaluators added the contention that evaluation provides a service to the line. To perform this service effectively you must keep a corporate memory, both to help the line implement recommendations, and to respond to future enquiries that often come well after the fact. If you have contracted out too much of an evaluation, you are vulnerable in this regard, especially in light of the high turnover among consultants. On a similar note, Employment and Immigration Canada (EIC) warned that when contracting out work, you must bear in mind that much does not get committed to paper. Close contact with, and supervision of, consultants is needed to ensure that you get all the information.

Management of Consultants

Departments were unanimous on the need for rigorous control of consultants. This begins with a contract for clearly defined tasks, which preferably can be carried out without a complete knowledge of the department's corporate culture. Where possible, in-house staff should provide this expertise; otherwise the evaluation manager must facilitate the contractor's relationship and access to appropriate departmental personnel.

Agriculture cited the golden rule: "He who has the gold makes the rules." In fact all departments stressed the importance of a payment schedule geared to specific results. Wherever possible, Indian and Northern Affairs (INA) try to make the final payment a substantial percentage of a contract's value. In some contracts, they go so far as to insert a "liquidated damages" clause. Like many departments, INA coordinates each consultant's work with a number of other in-house and contract activities. If one piece is behind schedule, the whole schedule suffers.

There was also agreement on managing consultants through regular weekly or bi-weekly meetings, and through reviewing all reports in their outline and draft versions. For example, EIC begin by an initial meeting of the consultant and the study team to develop the work plan and methodology. Then there are weekly progress meetings and meetings on the development of instruments. Although the actual operation of a study is left to the consultant, the team looks at initial tabulations, and checks regressions and report writing. For reports, they require a brief outline, a more detailed outline and a draft report. The team reviews and provides input to a number of drafts before the final report. To this, Agriculture adds the requirement for the consultant to do a presentation on indicative findings. Both Agriculture and NHW will on occasion pair up with a consultant on interviews to provide a further check on results.

In summary, all departments concur that to get the most out of a contract, you must supervise the consultant closely. (This supervision should be exercised by one individual, usually the evaluation manager.) Conversely, without effective project management, the resulting work is very much of second order. To properly perform the project management, there must be adequate in-house expertise, acquired and maintained by performing assessment work and retaining the function of final analysis and formulation of conclusions and recommendations. In quantitative terms, departments contract out for a large portion of their requirements. But in qualitative terms, the most important work is performed in-house.

Selecting Contractors

To select contractors for program evaluation work, departments used the two methods outlined in the Contracting Policy (Chapter 310, Treasury Board Administrative Policy Manual): proposal competition through competitive Requests for Proposals (RFPs) and directed procurement via sole source selection. For both methods, departments underlined the contracting policy in concluding that the most critical element to a productive contract comprised the requirements definition phase. There were, however, two views as to how requirements definition should be handled. About half the departments favoured very tight, precise terms of reference directly related to the specific contract underway. The rest adopted a less restrictive approach, that of defining evaluation requirements in more general, "boilerplate" terms. One evaluation group (Canada Mortgage and Housing Corporation) varies their approach to requirements definition according to the nature of the requirement. They will have specific, detailed terms of reference for contracts involving mechanistic activities like survey work, and a much more open-ended definition for a contract with academic or philosophical components.

Advantages were cited by both schools of thought. A precise terms of reference, tailored to subject and environment, facilitates project management. A looser framework allows consultants scope for initiative. For instance, the Department of Regional Industrial Expansion (DRIE) holds that by not being overly specific, they force consultants to display their knowledge of both evaluation and the particular subject, a state of affairs which aids in the subsequent bid evaluation.

All departments include standard criteria in their RFPs (e.g. methodology, schedule, proposed personnel, the firm's experience), plus specific requirements, such as survey design, national coverage, economic or statistical expertise, bilingual capability. These criteria are assigned point values, usually to the total of one hundred. Departments then tend to follow the letter and spirit of the Consulting and Professional Services Policy (Chapter 315, Treasury Board Administrative Policy Manual) by selecting a contractor on a "best value" basis. In other words, they consider the best performance (in terms of the highest point ratings) together with the price.

Departments differ as to whether or not they spell out the actual point values in their RFPs. However, there was general agreement on the value of giving consultants all the information they ask for, the idea that the more the companies know, the better the bids will be. To this end, some departments hold bidders' conferences, others spend time speaking to the contractors individually, others will append background material (e.g. assessment reports, or an outline of other contracts applying to the same study) to the RFP.

Inventories and Short Lists

Once requirements are defined, the next step in selecting a contractor involves consulting an inventory. As recommended in the Consulting and Professional Services Policy, all departments maintain a list of companies and consultants who provide consulting and professional services and who are interested in doing program evaluation work. This inventory consists of the consultants' literature, together with notes on performance and areas of expertise.

There was strong agreement that one of the primary functions of a program evaluation director or manager is to maintain an up-to-date knowledge of consultant expertise in relevant fields. This is an active and sometimes time-consuming process, requiring the director to keep abreast of changes and additions to a very volatile field. DRIE take the requirement one step further and cultivate a familiarity with the specific talents of individuals within a company. They are not averse to putting together a team of different consultants from different companies to do one portion of an evaluation study. The purpose of the inventory is to enable departments to streamline the contracting process by developing short lists for their RFPs. Many contracts for evaluation requirements are relatively small (\$10,000 to \$30,000), since, as indicated earlier, departments will divide the work into a number of pieces. Reference to a complete list of qualified firms (as produced by the DSS sourcing system) could yield as many as 80 to 90 names. To go to competition on this basis contravenes the policy statement that proposals should not be solicited from a large number of consultants, in view of the excessive overhead costs, both for the firms themselves and the in-house staff who must evaluate the proposals. Thus before proceeding with an RFP, departments will create a short list, referring to their inventory in the light of their mental notes on consultants' performance, and their knowledge of the expertise in the field as related to the specific requirements. Often for new areas they will also consult with the evaluation network (other directors of program evaluation and the Office of the Comptroller General). The policy

states that this short list must contain enough consultants to ensure competition, and requires that a minimum of three proposals be considered. In fact, most departments adhere to both letter and spirit by aiming for a list of six or seven companies. Rotation through the inventory was common practice. DOC go so far as to try to spread their contracts regionally. Departments stressed the importance of trying different, and especially new companies, to keep abreast of the expertise available.

The Contracting Process

The sense of a generally competitive approach was underlined as we explored the details of departments' contracting processes. Departments used proposal competition for the majority of their contract requirements. Even where the policy recommends sole source (i.e. for consulting contracts under \$25,000) departments still preferred the competitive route. There was a general belief in "best value" contracting, i.e. the selection of the best combination of performance and price from among five or six proposals from companies with the relevant experience and expertise. The RFP process itself appeared remarkably uniform. Once terms of reference are established and a short list determined, it takes departments about four to six weeks to place a contract. They allow two weeks for the contractors to bid. It takes anywhere from one day to one week to evaluate, depending on the type of requirement and the composition of the committee that reviews the bids. Some departments must go to a contract review board for approval; this adds an extra week. The actual placing of the contract takes one to two weeks.

In urgent cases, this process can be accelerated. But generally, it fits smoothly into the rhythm of program evaluation work. Program evaluation operates on a five (in some cases, seven) year schedule. Activities are planned well in advance, budgets are set at the beginning of the year, and evaluation groups have relatively easy access to senior management if changes are required. A four-to six-week contracting process, set up well in advance, poses no problems. However, departments stressed that delays in the expected timeframes could be awkward; every week counts in evaluation work, especially where a study has been divided into a number of interrelated pieces.

Most departments found there was little advantage to sole source contracting. Timeframes were not necessarily shortened. In the case of DOC, sole source often takes longer, since it requires ministerial approval, via the Deputy Minister. And even where departments maintained that they could let sole source contracts more quickly, they were reluctant to do so, both for reasons of departmental policy, and because they felt that it gained them little in the long run. As NHW put it, in sole source situations they always have nagging doubts as to what they have given up. Essentially, departments avoid sole source because of a general belief that proposal competition results in a contract of better value.

Resources for Program Evaluation

The actual resources (person years and contracting dollars) allocated to program evaluation vary widely from one department to the next. At one

extreme is EIC. With 42 person years and a contracting budget of \$800,000 to \$1,600,000, they are the largest evaluation group in the government. At the other extreme, DOE has two person years and a budget of \$250,000, although this is supplemented by evaluation work (both in-house and contract) performed by the Department's three large Services. An average for the function would be INA, with 123 person years and \$550,000 for contract resources (i.e. about \$1,000,000 worth of activity).

The following table lists the resources for DSS and each of the eleven departments, together with a rough estimate of their evaluable bases. As indicated earlier, the general trend appears to be towards a decrease in in-house resources. Departments stressed that this must be combined with an increase in the contracting budget. The average cost of running the program evaluation function seems to be in the range of \$1,000,000, regardless of what percentage of the function is performed internally or contracted out. Departments whose resources are cut too far below this are unable to perform the evaluation activities in their five-year schedule.

Evaluation Resources

Dept.	P/Ys	Contract (\$ 000's)	Evaluable Base (\$ Millions)
DSS	4	525	850
DND	23	175	—
DRIE	6—7 officers	600	750
DPW	5	100	1,200
CMHC	13	888	300
TC	11	900	variable
Agriculture	12—13	235—300	1,500
INA	12	550	2,500
EIC	42	800—1,600	12,000
NHW	15—16	275	32,000
DOE	2	250	700
DOC	6—9	500	250

Budgeting and Approval of Funding

A related factor of moving to employing more contract resources is the need for approval of the annual contracting budget at the beginning of the fiscal year. For most departments, planning and budgeting for program evaluation is on a five-year schedule, linked to the Multi-Year Operational Plan. The use of a large proportion of contract resources, for all the advantages, necessitates a higher degree of planning and coordination than for in-house resources. Timeframes for RFPs must be accommodated, and each RFP itself must be timed so that it fits into the critical path of activities included in

each evaluation. Otherwise not only the individual evaluation suffers, but there is an upset in the whole schedule.

For the most part, departments indicated no problem with either the budgeting process or the approval of funding. This is not to say that estimated costs are always accurate. On the contrary, departments agreed that it is well nigh impossible to cost an evaluation until the assessment is complete and senior management's decisions have been made on the issues to be addressed. For example, DRIE explained that they view the initial budget as seed money only, a base for future negotiation. For each study, discussion with management on scope and cost implications can change the initial estimate significantly.

Departments agreed that without adequate funding the evaluation function cannot be run successfully. The assessment phase is fairly standard in terms of timeframes and resources, and need not be costly. INA strive to consolidate the planning of an evaluation, and document it through working files, rather than elaborate planning studies. They aim for a one-page terms of reference, reflecting the perspectives of program management and the evaluation group. DOC also stress that an assessment need not be a big report, and usually limit theirs to 30 pages even for large programs. But evaluation studies are relatively non-discretionary. Management must be prepared to invest the resources required to adequately explore the issues and to come up with workable alternatives. Evaluation is not a function you can "half do". With insufficient resources, a study may be worse than useless; it may be one-sided, misleading, and as such guide management to the wrong decisions. Under these circumstances, departments agreed that if you cannot do an evaluation properly, it is better not to do it at all.

As EIC points out, you get what you pay for. You can stick to timeframes and fixed prices for contracts and get what you can within the estimate, but the resulting report may not be what you want. With respect to contracts, most departments did find that they obtained good results within the price and schedule. NHW are of the opinion that such contracts help to keep the overall study on schedule by imposing a measure of discipline. However, as DRIE explained, sometimes the scope of a study is changed by the Advisory Committee or Director, resulting in a cost adjustment upwards. And in DOE's words, there are instances when you make an assumption (e.g. that you have a good database), then find out otherwise.

In summary, program evaluation requires that management approve in timely fashion the initial budget, then be prepared on occasion to find additional resources to accommodate a revision of estimates after the assessment phase, or for contracts where scope or situation has changed.

To obtain such management commitment, departments stressed that program evaluation must establish itself with the Deputy Minister. To do this, it needs to provide good service early on by delivering a product that aids and impacts management decision. A program evaluation group has to have a reputation for quality work, especially when it must act as the bearer of bad news. Perhaps for this reason, many evaluation groups are undergoing a shift in function and emphasis. EIC recommends doing work other than evaluation—for example, policy. They have performed a number of operational analyses and supplied critical input to the Department's B

Budget exercise, all of which has enhanced the reputation of their evaluation function. NHW offered similar advice. They have combined their audit and evaluation areas under the same Director General and are currently exploring the notion of synchronized studies. The Department recently had to do an A-base plus in three months. Audit and Evaluation came forward with insightful material that supplemented what the programs were saying about themselves.

Several departments mentioned that their deputy ministers have asked for more topical, timely and relevant evaluations. Evaluation groups are responding with program reviews, directed evaluations, operational analyses and management studies. DOE is even contemplating changing the group's name to Program Analysis. Most of the evaluation groups were positive about this evolution. They feel that it underlines the role of evaluation as a vital tool for management decisions. No contradictions were identified with OCG policy and guidelines; in fact departments find that the OCG itself is moving in a more pragmatic direction. Proposed legislation regarding Increased Ministerial Authority and Accountability (IMAA) was also cited. A number of departments hold that IMAA's emphasis on regular review will generate an even closer and more critical link between senior management and evaluation. Departments are going to need evaluation findings to respond to the IMAA process and to defend their programs and decisions. In this context, evaluation groups will be viewed more positively and more sympathetically.

Conversely, departments concurred that without management confidence, evaluation is a dying function. In times of restraint, it becomes an attractive target for cutbacks. The trend towards increasing use of contract resources, while enhancing the range and utility of evaluation also makes it more vulnerable.