
Contract deliverable compliance is frequently cited as a significant concern for Commercial Real Estate (CRE) leadership. However, resolving compliance discrepancies cannot be accomplished at the operations level as the root causes often span departmental boundaries. This memorandum will offer observations and suggestions to address the overall contract compliance subject, starting with the contract itself, deliverable compliance measurement, and consistent tracking across contract performance periods.

It Starts with the Contract

Following is suggested contract enhancements to improve consistency across contracts, specificity of deliverables, and measurability for compliance verification.

Contract Structure

Given the number of CRE-related services contracts within most organizations, it would be beneficial to strive for more consistency and standardization within the contract structure. There are often noted inconsistencies spanning numbered sections and subsections within executed contracts today. For example, “41.17 Boiler/Pressure Vessel Operation and Inspection Standards” in one contract may be a completely separate section/subsection number in another contract. While this may appear insignificant on the surface, it can complicate compliance verification in operations. This will be illuminated further in the framing of deliverables and deliverable measurement discussion.

Where contracts for the same products or services may be executed with many providers, and industry best practice is to develop a standardized contract section/subsection outline and enforce the outline structure across all related contracts. For the purposes of this document section, the following example illustrates how excluded or additional requirements may be addressed across contracts.

Section 42 Fire Protection and Life Safety Equipment and Systems

42.1 General

42.2 Fire Alarm System Services

42.3 Water-Based Fire Suppression Systems

42.4 Fire-rated Door Assemblies

42.5 Fire Damper and Combination Fire/Smoke Dampers

42.6 Smoke Doors Assemblies

42.7 Smoke Dampers

42.8 Portable Fire Extinguishers

42.9 Non-Water-Based Fire Extinguishing Systems

This section excluded – no Non-Water-Based Fire Extinguishing Systems are covered by this contract.

This leaves the subsection numbering references intact and explains the exclusion.

42.10 Smoke Control Systems

42.11 Emergency and Standby Power Systems

42.12 Emergency Lighting Systems and Exit Signage

Everything above would represent the standardized items covered by this section and the section/subsection numbering would remain consistent across all contracts. Any new or unique requirements would be incorporated in the subsections shown below as "For Future Use". These future use items may or may not include measured deliverables. If there are no additional items, the future use subsections would be deleted from the template during contract drafting.

42.13 For Future Use

...

42.25 For Future Use

Establishing a consistent contract section/subsection outline structure requires thought and effort to ensure it covers the most common contractual elements for a given contract scope (i.e., O&M vs. Custodial). More importantly, it requires lifecycle thinking to ensure contract execution and compliance considerations are incorporated into the contract scope of work. Such considerations are mostly non-existent within many organizations' contracting processes. While there may be some processes in place intended to address contract compliance, they are either not consistently followed or cannot be effectively executed in practice.

Framing of Deliverables

A contract scope of work incorporates many requirements for the prospective contractor to perform. Deliverables are a subset of those requirements consisting of measurable objectives indicating whether the overall contract goals are being met. For illustrative purposes, following is one definition of what constitutes a contract deliverable;

A CONTRACT DELIVERABLE IS A SPECIFIC, TANGIBLE OUTPUT OR RESULT THAT MUST BE PROVIDED TO FULFILL THE TERMS OF A CONTRACT. IT IS AN ESSENTIAL COMPONENT THAT CONTRIBUTES TO ACHIEVING THE CONTRACT'S OBJECTIVES AND IS EXPLICITLY DEFINED IN THE CONTRACT'S SCOPE OF WORK. A DELIVERABLE CAN BE A PRODUCT, SERVICE, REPORT, DOCUMENT, OR ANY OTHER MEASURABLE OUTCOME THAT IS REQUIRED TO BE COMPLETED AND DELIVERED BY THE CONTRACTOR WITHIN A SPECIFIED TIMEFRAME AND TO PREDEFINED QUALITY STANDARDS.

Evaluating many operations & maintenance contracts reveals that some number of the defined deliverables are not measurable and of questionable value relative to determining if the overall contract goals are being met. Defined contract deliverables should represent the critical few measurable items where compliance verification indicates the general health and performance of the contract goals by the contractor.

Following is a set of criteria for a well-defined, viable contract deliverable;

- **Specificity:** The delivery must be clearly defined and *unambiguous*. It should outline precisely what is to be delivered, avoiding vague terms and providing detailed descriptions to prevent misunderstandings.
- **Measurability:** The delivery must be measurable, with defined criteria for success. This includes quantifiable metrics, benchmarks, or standards that can be objectively assessed to determine whether the deliverable meets the required specifications.
- **Relevance:** The delivery must be directly related to and support the overall objectives of the contract's scope of work. It should represent a crucial component that contributes significantly to the achievement of the project's goals.
- **Time-bound:** The delivery must have a clear deadline or timeframe for completion. This ensures that all parties are aware of the schedule and can plan and execute tasks accordingly to meet the established timelines.
- **Quality Standards:** The deliveries must meet predefined quality standards. This includes compliance with industry standards, regulatory requirements, or specific quality benchmarks outlined in the contract.



- **Verification and Acceptance Criteria:** The delivery must include criteria for verification and acceptance, detailing how the deliverable will be reviewed, tested, or evaluated to ensure it meets the agreed-upon requirements before final acceptance.
- **Ownership and Responsibility:** The delivery should clearly state who is responsible for its creation, delivery, and any associated actions. This ensures accountability and clarifies the roles of involved parties.

Many contract deliverables evaluated to date fail to meet one or more of these criteria. This is especially true for Quality Standards, Verification and Acceptance Criteria, and Ownership and Responsibility. Without these elements being defined, deliverable compliance verification is extremely difficult, if not impossible.

Examples

Measurability: There are numerous examples of deliverables referencing a standard, such as NFPA, in ambiguous ways. However, NFPA documents incorporate design, performance, operation, and maintenance elements. The deliverable should specify what section(s) of the NFPA reference must be complied with. In other words, what are we measuring against? In most cases, the operations & maintenance contractor is not accountable for the design or designed performance of the asset, so they should not be measured against those elements, nor should they be accountable for evaluating the design as it is typically not within their skill or expertise.

Verification and Acceptance Criteria: Many deliverables have little to no criteria defining acceptable performance (ambiguous). This leaves verification subject to interpretation, where the contractor and client will rarely agree. The performance and acceptance criteria must be explicit. In practice, this may be defined in the context of a scheduled work order. The personnel involved in the work order were not likely involved in crafting the contract, nor should they be required to read it in order to complete the verification task. In creating the work order schedule, the verification and acceptance criteria should be incorporated directly in the contract language. Few examples of this exist today.

Ownership and Responsibility: For many deliverables, accountability for deliverable compliance is vague or omitted. The deliverable should explicitly state what Key Personnel (Client and Contractor) have Ownership of the deliverable and Accountable for its compliance. There may be other personnel involved in performance of the deliverable, but Accountability resolves to one role.

Again, deliverables should be few, explicitly identified, meet all the above criteria for a well-defined deliverable, and relevant to the success of the overall contract objectives.



Compliance Verification in Practice

Few organizations define consistent actions to establish formal contract compliance verification for one-time and recurring contract deliverables following execution of a contract.

For operations & maintenance contracts, this should occur within CMMS/IWMS as the system of record for all operations and maintenance activities. This should include anything that involves building components, operational performance, building utility infrastructure, landscape, road, and grounds. From a Master Data Management (MDM) perspective, CMMS/IWMS should be designated as the source for compliance verification and operational performance relative to the operations & maintenance workgroups scope of responsibilities.

Upon contract signatures, the CMMS/IWMS coordinator team should be engaged to discuss Contract Onboarding. In addition to establishing the contract deliverable verification mechanisms, contract personnel updates are typically required, and possible close-out actions for an exiting contractor require investigation and planning. The new contract may require import into the CMMS/IWMS prior to the Contract Start Date to enable visibility of the properties and work order to the new contractor personnel.

Focusing on the Contract Deliverable verification, the following steps are suggested;

1. Following the Contract Deliverable Criteria defined in the Framing of Deliverables above, it is recommended a Task/Job Plan be created for each defined deliverable by contract Section/Subsection number. Extracting the deliverable criteria, the Task/Job Plan should incorporate the deliverable definition, how it is measured, the time frames for measurement/compliance, the relevant quality standard(s), the verification and acceptance criteria, and Ownership & Responsibility roles. This is where the standardized contract sections/subsections come into play. Standard deliverable criteria may be incorporated into a reusable Task/Job Plans that can serve many contracts.
2. To support development of contract deliverable tracking work orders, create a worksheet, or other vehicle, that identifies each deliverable by contract Section/Subsection number, whether it is a one-time or recurring item, and if a recurring item – what frequency and start date for the deliverable verification activity.
3. Create individual Work Orders or Schedules, as appropriate, for each deliverable and assign them to the appropriate Owner and Approver (Contractor and Client). Each work order or schedule should have the relevant Task/Job Plan (from #1 above) attached providing all the relevant compliance verification information.



Ensure the Schedules are enabled to generate the relevant work orders at the designated periods.

4. Add the Work Order ID's and Schedule ID's to the worksheet (from #2 above) and provide to the Contractor/Owner and Client/Approver for reference.

Tracking Compliance

With all the compliance verification work orders for one-time and recurring items created, the points of compliance verification should be in place for the life of the contract – barring contract modifications affecting deliverables.

For each generated compliance work order, the Approver can utilize a PASS/FAIL (or similar status values) to indicate deliverable compliance. Any deliverables rated as FAIL must be accompanied by a Follow-On Work Order to address corrective actions.

Standard Reports should be created to list all deliverable compliance work orders for a given contractor, building set, and/or date range indicating whether the deliverable was Passed or Failed at the point of verification. The Client/Approver can use this data for reporting contract compliance to Leadership/Procurement and substantiate any compliance failure actions such as withholding fees, negative contract performance reviews, or in the case of repeated compliance failures – contract termination.

This methodology provides a consistent mechanism for tracking all operations & maintenance contract deliverables over the life of a contract and may be transitioned to new personnel as changes occur. The methodology may be applied using existing features/capabilities within most CMMS/IWMS platforms.

Conclusion

While most CMMS/IWMS platforms are capable of tracking deliverable compliance, they are simply the tracking mechanism. Review and revision of current contracting processes is strongly recommended to implement a lifecycle approach to contract compliance verification.

