

## CONTRACTING OUT SERVICES

A variety of services (legal, engineering, payroll, public relations, garbage collection, grass cutting, etc.) are often contracted out to third parties. You should keep the following suggestions in mind when considering whether to enter into contracts for services.

- Are contracted services necessary or needed, and is contracting out services the most cost-efficient manner for accomplishing the objectives? A cost/benefit analysis for all service contracted out should be done before considering contracting and before existing contracts are renewed.
- Although the public bid law does not require services (professional or otherwise) to be bid, a competitive atmosphere would ensure that fees paid for services are cost-effective. The traditional public bid process may be used; however, some local governments are using *Requests for Proposals* (RFP) effectively in contracting for services. A RFP has the advantage of allowing the use of evaluation factors other than price in making the award. The criteria and point value must be set forth in the RFP.

We suggest that the dollar thresholds contained in the public bid law be used as a guide in contracting for services. Louisiana Revised Statute 38:2812 requires competitive bids for all purchases of materials and supplies exceeding \$20,000 and requires that purchases between \$10,000 and \$20,000 be made by obtaining at least three telephone or facsimile quotations.

- The contract should provide the specific services to be performed. Contracts providing services that are general in nature or open-ended should be avoided. An example of both general and open-ended would be if a contract provision states that all *necessary* work will be provided to accomplish a certain objective and the city will be *billed* at \$xx an hour for such work.
- All contracts should be reviewed by the municipality's legal counsel for legal form, legal sufficiency, and terms and conditions that are in the best interest of the municipality.
- A centralized review and oversight of all contracts should be done to ensure that services received comply with the terms and conditions of the contracts.

To summarize:

1. Are contracted services necessary or needed?
2. Perform a cost/benefit analysis before considering contracting and before existing contracts are renewed.
3. Obtain competitive prices for all contract services.
4. Prohibit open-ended contracts and require that all contracts provide the specific services to be performed.
5. Require that a legal advisor review all contracts before the documents are signed.

6. Centralize contract monitoring/oversight to ensure that services received comply with the terms and conditions of the contract.

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