



Contracting Out Cleaning Services

Corruption Prevention Department

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CONTRACTING OUT CLEANING SERVICES

Introduction

Many organizations find it cost-effective to appoint a contractor to provide cleaning services. The optimal position is to obtain the best quality of service at the lowest price or, in other words, to achieve the best value for money. However, corruption opportunities exist in both the selection and the administration of contractors. When corruption occurs, the organization will not obtain the value for money originally intended, and may even suffer severe loss and damages. The risk of corruption can be greatly reduced if appropriate safeguards are built into the selection and administration systems for these contracts from the beginning.

This document is a synopsis of the best practices in appointing and administering cleaning contractors, with a focus on corruption prevention measures. It is intended for reference by organizations in both the public and private sectors and having well-established management systems.

Guidelines

A key factor in minimising corruption opportunities and achieving effective control is the adoption of clear written procedures and instructions that ensure consistency and transparency in operations. These guidelines should include :-

- details of the various methods of obtaining cleaning services (including any provision for urgent purposes) and the criteria for their application;
- the various authorisation levels and their corresponding responsibilities and accountabilities;
- the operational documents and performance checks required; and

- appropriate warnings prohibiting bribery and requiring the declaration of any potential conflict of interest.

Contract Letting

The selection method should be transparent and fair to ensure that eligible contractors are given a chance to compete on service quality and price. The organization is then able to benefit from the competitive bids and select the best available offer.

Tenders

A well recognised method of appointment is by a competitive tender. Some organizations prefer to select their contractors by **open tender** while others prefer to do it by **restricted tender** so that only approved or pre-qualified contractors are invited to bid. In both cases, the selected tender should be considered and approved by an independent group or panel such as a Tender Board. (A separate Best Practice Module on procurement matters, including tendering, has been published.)

Open Tender

An open tender is based on the general principle of transparency. By making the service requirements widely known through an open invitation to tender, both existing service providers and new contractors are given an equal chance to bid on any project.

Restricted Tender

For a restricted tender, the number of eligible firms invited to bid is limited in some manner. This may be done by short-listing contractors selected from a pre-qualified list such as an Approved Contractors' List.

Listing of Contractors

A formal system for the registration of contractors ensures that only qualified contractors are short-listed and invited to bid. Since membership of the list confers preferential status, those responsible for the process should ensure that:

- there is a fair and transparent system based on predetermined criteria both to register and to pre-qualify suitable contractors. The listing criteria should be made known to all potential bidders in the call for registration;
- the list should be maintained independently of the operational level, for example, by the office responsible for the letting of contracts. The additions to and deletions from the list should be monitored by a senior staff member;
- invitations to register should be made at regular intervals to maintain an adequate number of contractors and to allow the entry of new contractors to the list. These invitations should be given wide publicity, for example, by newspaper advertisement; and
- application for registration should be made in a standard form showing the required information, such as company particulars, resources, and experience in the specialised field.

Tender Invitation

Competitive tendering provides a means of comparing prices and service quality in the marketplace, thus making it more difficult to hide favouritism with a corrupt motive. However, the guidelines for invitation to tender should have provisions for exceptional or emergency situations where the normal tendering procedures may not be appropriate.

In the event that a briefing will be organized for the potential bidders, all interested parties should be invited and the briefing should be organized as early as possible to give potential bidders reasonable time to prepare the submissions.

Waiver of Tender Procedures

Any departure from normal open tendering procedures or the invitation of contractors to bid who are not on the Approved List, must be justified and given prior approval by a senior staff member holding the appropriate authority.

Under circumstances where there is a single tender situation (for example, the service required is highly technical and there is only one eligible contractor in the field), full justification must be submitted for the endorsement of the Tender Board or the senior management.

Tender Documents

A set of clear and comprehensive tender documents ensures that the same information is given to all contractors at the same time. There also must be adequate time given for all contractors to prepare a suitable bid. These are important factors in ensuring a level playing field for all bidders.

The tender documents should be prepared before tenders are called and should include the following information:

- notes on the procedures for the submission of tender (the notes should also state whether alternative offers or non-conforming bids will be considered and the basis of their comparison);
- Conditions of Contract; and

- detailed specifications of service standards.

Contract Conditions

Clear contract conditions and specifications ensure the proper delivery of service by the contractor, and protect the organization from loss or damages.

The contract agreement should be based on standard contract terms including items such as:

- **service requirements** (for example, the areas to be cleaned, frequency and type of cleaning required, the materials and equipment to be used, supervisory levels etc.) and **service standards** (for example, toilet floors to be maintained clean and dry at all times);
- **schedule of rates** specifying the rates (monthly, daily and hourly, per unit area etc.) for the contract services;
- **variation of service requirements** under which there may be a reduction or extension of services, with consequential payment adjustments according to the agreed tender rates;
- **payment and accounting methods** in relation to the services performed;
- **deduction/withholding of payment provisions** to cater for cases of incomplete or unsatisfactory service;
- **termination of contract provisions** in case of major service default;
- **regular management reports** on staff strength, staff attendance, and services provided;
- **prohibition of sub-letting** (if applicable);
- **insurance or other risk cover** against possible claims for accident or injury by the contractor (with an underwriter approved by the client);
- **contract extension conditions** for modifying the length and/or scope of the contract; and

- **warning clauses** incorporating the prohibition of acceptance of advantages, the requirement to declare any potential conflict of interest and the adoption of a code of business conduct (if applicable).

Tender Procedures

Tender receipt and handling procedures should be established to maintain the security and confidentiality of all tender information.

Tenders should be submitted in duplicate and lodged in a secure tender box. The tender box should have double locks with the keys held separately by staff of the appropriate level.

The tender box should be opened immediately after the tender closing time and in the presence of independent staff witnesses. A record of tenders and prices initialled by the witnessing staff should be kept.

Late tenders should not be opened, and after recording (as late) should be returned to the sender or securely kept for a period of time before disposal.

Tender Evaluation

Formal tender evaluation procedures ensure consistent and objective comparison of tenders and should result in the selection of the most suitable contractor. To prevent tampering with the proposals in the evaluation process, the original tender should be held separately in a secure location, while the tender assessment is performed using the duplicate copy.

The selection may be based on **direct price comparisons** or a **combination of price and service proposals**. In the latter case, there should be clear instructions on the weighting given to the financial and technical evaluation (7:3 as a general rule). To enable fair consideration, conforming bids only should be considered and/or a defined evaluation procedure should be stated for comparison. If the lowest bid is not selected, supporting justification for the choice should be documented.

Selection Criteria

Assessment of tenders should be based on pre-determined criteria to minimise subjective judgment. A marking scheme can be devised for this purpose and commonly a selection panel is used to ensure a balanced assessment and greater protection against bias. Tender assessments by individual panel members should be recorded in a standardised form.

If contractors are invited to attend a pre-tender meeting, all potential bidders should be invited. If a later selection interview is held, this may be restricted to the short-listed contenders. Appropriate records should be kept of all meetings and interviews.

Where feasible, the final selection recommendation should be submitted to an independent authority such as more senior staff or a Tender Board for approval.

Notification

Upon approval of a tender award, all unsuccessful bidders should be notified of the outcome. To enhance transparency, it is advisable that the name and the bidding price of the successful contractor be made known to the bidders on request.

Contract Administration

Clear written instructions should be issued to the contractor so that there is no misunderstanding of the scope and quality of service. There also should be defined supervision and inspection procedures to help maintain the quality of service and prevent malpractices.

Supervision and Inspection

A system of inspection should be established comprising both scheduled inspections and surprise checks. Effective supervision is essential in reducing the risk of manipulation by a corrupt staff member who may choose to collude with the contractor and turn a blind eye to sub-standard service.

Users of the cleaning service should be notified of the cleaning timetables and the standard of the cleanliness stipulated in the contract. An effective means should be put in place enabling users to report unsatisfactory service by the contractor, preferably, using a standard form.

The contractor should be required to submit an inspection plan, including the names of the supervisory personnel, and to inform their clients of any changes in the supervisory/inspection staff.

Inspection records should be maintained and any irregularities should be noted. Instructions issued to the contractor concerning any necessary remedial action should be documented.

Where practicable, the staff responsible should hold regular management meetings with the contractor's management to discuss problems and review service standards.

Performance Appraisal

A formal performance appraisal system enables the organization to monitor and evaluate the contractor's performance on an objective basis. If possible, feedback from users should be incorporated. The findings also can be used for reference when the contractors are reviewed for inclusion in future tender invitations and to help decide whether a contractor should remain on any Approved Contractors' List or selective short list.

Supervisory staff should compile evaluation reports periodically and at the end of the contract. Feedback from end-users should also be obtained to assist in this process.

The evaluation report should be in a standard form and should be scrutinised by a more senior staff member to ensure that the assessment is fair and accurate.

Records

Where inadequacies are reported, the contractor's management should be alerted and required to make improvement. There should be formal recording of the outcome of any management advice and responses.

Payment Procedures

Effective financial procedures applied to the contract payment process can be significant in preventing manipulation and fraud by staff. Expenditure reports should be readily available to management detailing the costs and highlighting discrepancies and abnormal trends.

To ensure effective monitoring and control, contractors should be required to provide explicit billing details on a timely basis and be subject to random audit. More explicit coverage of billing and payment control processes is given in another Best Practice Module, but a brief outline is given below:

- upon receipt of an invoice, there should be a physical inspection (especially for ad-hoc cleaning jobs) to verify the work and/or a check on the inspection records during the period to see if jobs have been performed according to schedule;
- any valid payment deductions during the period must be verified and applied;
- the end-user(s) may be asked to check and endorse the payment; and
- invoices should be submitted to an independent section (for example, the accounting or finance office) for double-checking before payment.

Disciplinary Measures

A disciplinary system in contract administration helps to ensure that suitable action is taken against a contractor whose performance is unsatisfactory and that such incidents are recorded for performance assessment.

De-merit and payment deduction systems are the commonly used methods to penalise poor performance. However, such systems must be carefully administered to avoid abuse and corrupt manipulation.

De-merit System

De-merit points are imposed for any unsatisfactory work or failings found during inspections. The de-merit points should be defined within the contract and be graded according to the seriousness of the event.

The imposition of de-merit points for any shortcomings should be reviewed and endorsed by a more senior staff member.

The record of de-merit points should be subject to secure recording and storage measures to prevent tampering.

On the accumulation of a specified number of de-merit points, more severe disciplinary action should be taken against the contractor based on established measures stated within the contract (for example, the issue of a formal warning or termination of contract).

Payment Deductions

The contract terms normally provide for deductions to be made for more serious cases of non-performance or non-compliance with the contract conditions. A deduction is applied against the payments otherwise due to the contractor.

A clear-cut policy of payment deduction should be formulated and made known to the staff responsible for its enforcement (for example, should the contractor be given time to rectify any faults before payment deduction is considered?).

The decision whether or not to impose a deduction should be confirmed by a staff member at a more senior level. The reason(s) for any deduction should be recorded and advice given to the contractor.

Advisory Services Group

In addition to the series of Best Practice Modules, the ICAC maintains an **Advisory Services Group** to provide free and confidential corruption prevention advice to private organizations covering various aspects of their activities such as staff administration, stores management and administration of contracts. For further information, please contact the Advisory Services Group at telephone no. 2526 6363 or fax no 2522 0505 or email address asg@cpd.icac.org.hk.



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