

# Quality Consulting – Effectiveness and Budgeting

White paper by

## Praecom Consulting

How do you know you're getting the best value for your dollar when you obtain the services of a Consultant? Your first is to obtain price quotes and then choose the low bidder.

Contrary to this line of thought, selecting low bidder for professional design services can compromise the architecture, engineering or surveying needed for your project. Instead of selecting a professional simply on the basis of cost, using a Qualification Based Selection (QBS) system for professional services will assist you in retaining a well qualified professional and enable you to negotiate a level of service and cost appropriate to the project and budget.

### WHAT IS QBS?

Qualifications based selection (QBS) is a negotiated procurement process for selection based on qualifications and competence relative to the work to be performed.

**Step 1:** Agency requests qualifications for identified services. QBS is usually done for a single project. However, QBS can be done annually with firms identifying all areas of their expertise for future projects.

**Step 2:** Professionals submit qualifications.

**Step 3:** Agency screens qualifications and lists two to three qualified professionals or firms.

**Step 4:** Your agency reviews list and selects the professional best qualified and capable of performing the desired work. This may or may not include interviews, or additional information specific to the needs of the project.

**Step 5:** Agency prepares a detailed "written description of the scope of the proposed services." This can be done in conjunction with the selected firm, or with the most qualified firm first.

**Step 6:** Professional examines written description and determines hours or fee to accomplish the work.

**Step 7:** Agency and professional negotiate contract.

Many times, Steps 5, 6 and 7 can be done jointly with the Agency and the consulting firm. This is a process, so account for the additional time required for negotiations in your overall timeline.

## Applicable Regulations

- **Brooks Act (Public Law 92-582) is the Federal legislation.**
  - **Contents can be found at Cornell University Law Library online [http://www.law.cornell.edu/uscode/html/uscode40/usc\\_sup\\_01\\_40\\_08\\_I\\_20\\_11.html](http://www.law.cornell.edu/uscode/html/uscode40/usc_sup_01_40_08_I_20_11.html)**
  - **Consultants are Architectural and Engineers, not IT resources.**
  - **Don't let your Purchasing Department drive your decisions; it's not always about price.**
  - **Brooks Act applies if any federal funds involved. (Reference this)**
- **Missouri Law RSMo 8.285 - 8.291 specifies that state agencies and political subdivisions must use QBS. Other states have similar legislation.**

## THE VALUE

- **quality comes first, as espoused by the theory of total quality management (TQM)**
- **fosters broad based competition in the vendor community for the final project**
- **allows the design professional to understand the owner's complete needs and objectives of the project before negotiating the design fee**
- **takes full advantage of creativity and expertise of the consultant**
- **the consultant is the advocate for the owner during construction**
- **the consultant addresses compliance with codes and regulations**

## So, how to pay for a Consultant?

- **Non-project based work.**
- **Consultants can and are used on hourly non-project work. This is considered hourly professional services. Good consultants don't mind providing a small amount of time as long as travel and expenses are paid in addition to hourly rate.**
- **Understanding the money tree**
  - **It's important that you and the consultant understand the money tree in your organization(s). Engage in the monetary discussion early, and include your financial staff.**

- **Capitalization of Professional Services**
  - **A major reason that a company or Agency would choose to capitalize IT expenses is so that projects are 'on the same level' as capital expenditures incurred in civil projects. The typical civil project takes a few years to build and commission. Multiyear communications projects are similar, in that they can take a few years to implement. As we've moved from a manufacturing to a service economy it seems logical to treat communications projects as the 'property, plant, and equipment' of the service economy.**
  - **In the US the accounting standard calls for capitalizing all costs necessary to place an asset into service. Your Agency incurred consulting costs before and during the implementation of a radio or phone system project. The consulting costs during the implementation phase are easy to capitalize.**
  - **The costs associated before the implementation is an area to consider. The reason for deliberateness for those costs is the fact that your Agency would have had to expense those costs if you did not install the radio or phone system. All things considered, the most conservative approach to those costs is to expense them in the current year. However, this is something you may want to talk to your auditor about. It could be that your outside auditor will accept either argument and provide you some flexibility in this situation. In either case, it will certainly open a dialogue with your auditor.**
- **Professional Services Budget**
  - **Usually used for Accountants/Auditors**
  - **OK – for consultants, after all they are professionals!**
- **Other departments are your friends!!**

**Notes about other departments and combining budgets. Many times there are overlaps. This is where you think outside the box on financial collaboration. There are many other agencies or organizations that are utilizing communications systems. Communications is a shared resource, get help from others!**

**Areas where budget may be, or can be utilized from other stakeholders:**

### **Non Agency specific**

- ✓ IT Budget
- ✓ Marketing Budget (call center/web)
- ✓ Sales budget (PBX, mobility)
- ✓ Maintenance budget (PBX, Radio/Microwave, call center)
- ✓ Customer Service (Call center, PBX, Mobility, radio/microwave)

### **Public Safety (Law Enforcement, 911, Fire/EMD)**

- ✓ Radio maintenance budget
- ✓ IT / Telecom Budget
- ✓ Squad/fleet maintenance/purchase
- ✓ Forfeiture funds
  - Departments you don't think about
    - Highway/Street (radio)
    - Water/Sewer/Trash (radio, PBX, Mobility)
    - Parks/Recreation (radio, PBX, IVR, web)
    - Building inspection (PBX/Mobility)
    - Animal Control (radio, PBX, mobility)
    - School District
    - Any other special taxing agencies
- ✓ Discretionary Funds – you don't need to spend it all at once!

### **City/County administration**

- ✓ Telecommunications budget
- ✓ IT Budget
- ✓ Fleet maintenance
- ✓ Professional Services Budget
- ✓ Safety / Training budget – How safe are you if you can't call for help?
- ✓ Combining resources: Other governmental/regional Agencies
- ✓ Don't need to spend it all at once – It's ok to spend parts or a portion as funds become available. Leverage your financial discretionary funds.

## **WHY WOULD AN OWNER WANT TO USE QBS?**

- **High quality consultant services are only 1-2% of the lifetime project cost yet dictate construction and lifetime maintenance costs (98%).**
- **It promotes improved project quality by assuring that the client understands clearly the scope of services required.**
- **It leads to realistic construction bids based on a definitive scope of work.**
- **Studies have shown that use of QBS for projects is more efficient and less costly than use of a selection process that uses price as a primary criterion.**

**QBS avoids the situation where the greatest benefit of the design professional's innovation and creativity is lost because its importance was not recognized at the fee proposal stage.**

## **DO YOU HAVE TO USE QBS?**

- **YES - if you are working for a federal or Missouri state agency or local political subdivision.**
- **NO - if you are a private entity, you have the right to choose any selection process you wish. Likewise, the design professional has the freedom of choice to participate in any selection process.**

## **WHAT ABOUT PRICE-BASED SELECTION?**

**This produces only bare-bones design without the benefit of innovative and alternative solutions using the design professional's creativity.**

- **Produces only bare-bones proposals which do not include everything the client wants or needs ... a discovery usually made during construction and resulting in enormous costs for change orders and extras ... and additional fees for the design professionals. Sets up an adversarial relationship whereby extras and change orders could be in constant dispute giving the design professional an unfair reputation, and the owner with a bad taste in his mouth for design professionals.**

**Results in a low-bid firm which is often inexperienced, ill-equipped and/or poorly staffed. When this occurs, the client takes on unnecessary risks and end up being the loser, both financially and in the life-cycle costs.**

**Under any method (including the two-envelope system) where price and technical proposals are submitted, price always becomes the dominant factor and selection is then made on price.**