

This document is a tool to provide guidance of how to develop performance metrics for the procurement of IT goods and services. This VITA procurement tool was developed for executive branch agencies, as defined by [§2.2-2006](#) of the *Code of Virginia* and used herein as “agency/ies and institutions”, except those agencies and institutions explicitly exempted by the *Code of Virginia*.

Performance Metrics are documented requirements, either part of an overall contract or a standalone agreement, which specify in measurable terms the services to be provided, the standards to be attained in the execution of those services and the consequences that occur in the event the standards are not met. Performance Metrics often include:

- Percent of time services should be available
- Number of users to be supported
- Performance benchmarks
- Schedule for advanced notification of system changes, upgrades, downtime
- Help desk response time
- Usage statistics

### Key points to developing a successful PERFORMANCE METRIC

Agencies should undertake due diligence when developing and negotiating effective Performance Metrics. This will allow an opportunity to verify costs of services, identify hidden costs, reveal consumption patterns, ensure legality of software licenses, and conduct benchmarking tests on systems. Performance Metrics should include flexibility for changes in scope and technology.

The contract will stipulate that the supplier will be paid according to predetermined performance criteria such as availability, response time, number of downtime occurrences, etc. Performance Metrics should include specifications regarding financial remedies/credits in the event the supplier is unable to meet the outlined performance levels. If the supplier relies on partners or sub suppliers, the performance metrics can also apply to these second-level service providers. The primary supplier may have a network of service providers to provide their service responsibilities. In this instance, the performance metrics should contain a clause that stipulates the primary supplier is accountable for any damages caused by third party partnerships.

In developing and negotiating successful performance metrics, the following elements should be considered and included:

- Definition of the agency's business goals, requirements and scope of services being procured. An agency is urged to consider its business continuity needs for the agency and any public usage/dependence. Additionally, it is important to consider the project's risk: is it low, medium or high risk?
- A detailed service description, duration of services, installation timetable, payment terms, terms and conditions and legal issues such as warranties, indemnities and limitations of liability.

- A repeatable process, with solid and accurate metrics' capture and analysis, to measure the supplier's progress and monitor performance.
- A documented reporting process that includes the type, amount, format and a schedule of information to be reported by the supplier and procedures for how the customer will oversee the agreement and ensure the performance measures are met. Such performance parameters may be linked, for example, to "uptime" and "downtime" of a system or web-hosted application or to "response time" and "remedy time" for the procured service.
- Agreed upon procedures for non-performance in case of unforeseen circumstances.
- Detailed service expectations, performance levels, positive and negative incentive structure, escalation procedures, and intermediate performance incentives; i.e., invoice retained amounts of 20%, to be paid after final acceptance and with final invoice, and more serious legal ramifications; i.e., breach and default.
- An executed contract that binds the agency and the supplier; the performance metrics will be a part of this contract.

### **Sample PERFORMANCE METRIC and Remedies Language**

*(Note: All references to agency, percentage amounts, dollar amounts, performance targets, etc., as highlighted in turquoise should be customized by your agency. All damage or remedy amounts must be good faith estimates of potential damages, and in some cases that are justifiable by your agency's finance group.)*

#### **Sample 1:**

As an estimate of the damages the commonwealth shall suffer due to any incident of system interruption and non-accessibility, supplier agrees to credit AGENCY an amount equal to five percent (5%) of the total monthly invoice on the following month's invoice, for each hour that exceeds:

- A. Two (2) hours of consecutive system downtime; and,
- B. One (1) hour of failure to provide an initial written summary and hourly updates of (i) what is being done to determine the cause of service interruption, (ii) what steps will be taken to resolve the issue, and (iii) expected time of system restoration, after AGENCY notification of service interruption incident.

#### **Sample 2:**

A. Coverage:

Twenty-four (24) hours per day, seven (7) days a week for the duration of this contract, provide to AGENCY all reasonably necessary telephone or written consultation requested by AGENCY in connection with use, problems and operation of the system.

B. Service levels

Respond to problems with the system identified by AGENCY in no more than thirty (30) minutes after notification. Resolve all problems according to the following:

- i). Priority 1 (system down) within four (4) hours;
- ii). Priority 2 (certain processing interrupted or malfunctioning but system able to process) within twelve (12) hours;

- iii). Priority 3 (minor intermittent malfunctioning, system able to process data) within twenty-four (24) hours.
- iv). Priority 4 (enhancement request) acknowledge receipt of request within three (3) days. Provide whether or not a requested enhancement will be in the next or future release within 90 days.

The level of severity (e.g., 1, 2, 3, 4), shall be defined by the AGENCY.

#### C. Software evolution

Should supplier merge or splinter the software previously provided to AGENCY, such action on the part of supplier shall not in any way result in AGENCY being charged additional license or support fees in order to receive enhancements, releases, upgrade or support for the software.

If supplier reduces or replaces functionality contained in a licensed software product and provides the same or substantially similar functionality as or within a separate or renamed software product, then the commonwealth shall be entitled to license such software product at no additional license or maintenance fee, and subject to the terms and conditions in the contract.

If supplier releases an option, future software product or other release that has substantially the same functionality as the software products provided under the contract, and ceases to provide maintenance for the older software product, then supplier shall offer the Commonwealth the option to exchange licenses for such replacement software product or function at no additional charge or new or additional license or maintenance fee.

#### D. Service issue resolution and escalation procedures

Support request/Escalation procedures:

Upon identification of a support related issue, AGENCY should contact the supplier's support team. This contact can be via the supplier's ticketing system or a telephone call. Upon reporting of the support request, a support ticket will be opened and a ticket number will be assigned. Resolution of the ticket will be governed by the support categories outlined above. If a support ticket requires escalation, the escalation path is as follows: What triggers escalation? System time down?

- Support team – phone - Will escalate to director of customer support if no resolution within 24 hours?
- Director of customer support – name – phone
- Account manager – name - phone

#### E. Remedies

- Priority 1 issues – If supplier fails to meet the response and resolve time standard identified in section B above two (2) or more times or on less than 90% of the reported incidents, whichever is greater, on a quarterly basis, a credit to AGENCY of .5% of the annual maintenance fee will be assessed. For each additional increment of 10% below the 90% level, an additional .35% credit to AGENCY will be imposed.

- Priority 2 issues - If supplier fails to meet the response and resolve time standard identified in section B above two (2) or more times or on less than 90% of the reported incidents, whichever is greater, on a quarterly basis, a credit to AGENCY of .25% of the annual maintenance fee will be assessed. For each additional increment of 10% below the 90% level, an additional .25% credit to AGENCY will be imposed.
- Priority 3 issues – No credit
- Priority 4 issues – No credit

All remedy credits will be credited against future supplier billings to AGENCY.

### **Sample 3:**

#### Credits

Supplier agrees to identify and calculate all credits due for outages, performance failures or failure to meet any service level. All performance metrics will be computed on a monthly basis. Supplier will ensure that all credits due AGENCY are provided automatically without requiring AGENCY to submit a claim or request, and are clearly identified on the credit note to which they are posted (including specifically identifying on the credit note the outage to which the service credit applies.). Service credits will be issued no later than 60 days after such outage or failure to meet such service level occurs. The Performance Metrics will be reviewed monthly by AGENCY and the supplier to identify any issues that may need immediate attention and may be reviewed again during the quarterly meetings between AGENCY and the supplier.

Sample PERFORMANCE METRIC Tables

*(Note: Create as many performance standards (lines in table) as required for your protection based on business continuity and mission criticality needs.)*

**Sample 1:**

Performance Standard	Description	Standard	Performance Target	Calculation	Frequency
System Availability	System available to school districts		99%	Measured during peak work hours (or during normal work hours)	Monthly
System Availability	System available to parents and students		99%	Measured during peak work hours (or during normal work hours)	Monthly

**Sample 2:**

Performance Standard	Measurement	Measurement period	% Level	Service Price	Remedy
Answer Time	All Calls in 30 Sec	Monthly	95%	100%	\$1000/1%
Close Ticket Time	1 Hr. after Trouble Resolution	Monthly	90%	NA	\$500/1%
Problem Resolution Accuracy Rate	No. of Misdiagnosed Trouble Calls/Total Calls	Monthly	5%	NA	\$500/1%
Abandoned Call Rate	Abandoned Calls/ Total Calls	Monthly	5%	NA	\$500/1%
Refurb. Cycle	5 Business Days	Monthly	95%	100%	\$500/1%

Shipping Time Hardware Failures	Orders Received by 7:00 p.m. Shipped Same Day	Monthly	90%	100%	\$500/1%
Shipping Time	By 7:00 p.m. Next Business Day	Monthly	90%	100%	\$500/1%
New Install	Schedule Installation Within 7 Days	Monthly	95%	NA	\$100/1%
New Follow-up	Within 10 Days of Shipment	Monthly	90%	NA	\$100/1%
Complete Shipments	Number of Complete/ Incomplete	Monthly	95%	100%	\$25/Incomplete Shipment
Reporting Accuracy Rate	To be determined	Quarterly	99%	NA	TBD
Resolve P1 items	1 hr. from receipt of call	Monthly	95%	NA	

Further guidance regarding Performance Metrics is available in chapter 21 and 25 of the **Information Technology Procurement Manual**, at the links below:

<https://www.vita.virginia.gov/supply-chain/scm-policies-forms/it-procurement-manual/chapter-21---performance-based-contracting-and-service-level-agreements/>

<https://www.vita.virginia.gov/supply-chain/scm-policies-forms/it-procurement-manual/chapter-25---it-contract-formation/>