

MAINTENANCE AND RENOVATION

Introduction

Hotel maintenance covers minor and major repairs and improvement works. These works are undertaken by either the hotel's in-house staff or external contractors, depending on the scale of the works required. Sometimes, hotels may engage consultants to administer the works contracts which are of substantial value and extensive in scope, e.g. large scale renovation warranting professional input.

The letting and administration of works contracts are corruption prone. There are common problems like manipulating the selection of contractors, specifying brand names for materials to favour certain supplier, accepting substandard service, and placing orders for unnecessary or additional works which would incur extra cost to boost the value of the contract. As maintenance and renovation works are technical in nature, this Best Practice Module aims at citing the inherent loopholes for corruption and assisting the hotel management to adopt effective measures to prevent malpractice.

Selection of Consultants

The role of a works consultant is to monitor the performance of the contractor and to issue instructions to him (e.g. works orders and variation orders) on behalf of the hotel management. It is therefore important that a suitable consultant is selected through a competitive way. The following practices are recommended for the selection of consultants:

- The selection process should be **competitive and fair**.
- To enhance checks and balances, a panel of staff should be formed to draw up the service specifications, to shortlist a number of consultants for **competitive tendering**, and to assess the tendered technical and fee proposals against pre-determined evaluation criteria.

- The proposed **shortlist of consultants** invited to bid should be **approved by the management**.
- The **deliberations and decisions** of the panel should be **documented**.
- Hotels should include in the consultancy agreement **probity clauses** requiring the consultant and his staff, in performing their duties under the contract:
 - *to declare personal or financial conflict of interest (e.g. in making recommendations for contractors);*
 - *not to solicit or accept advantages;*
 - *to avoid accepting excessive or lavish entertainment from contractors/suppliers; and*
 - *to keep confidential any information related to the project.*

Selection of Contractors

The selection of contractors is similar in many ways to the appointment of consultants. The following points are noteworthy:

- The selection process should be **competitive and fair**.
- Some hotels may see the need to engage contractors to carry out minor maintenance works on an on-going basis. If this is the case, it is advisable for the hotel to compile a **shortlist of contractors** (or shortlists of contractors of different trades) from which quotations could be invited for the works required. The list should be centrally maintained and regularly updated with a view to sourcing new contractors and taking out those whose performance is unsatisfactory.



Use of Term Contracts

Issue of Works Orders

- If the shortlist of contractors is provided by the consultant, the hotel may consider nominating additional contractors for inclusion in the list to **prevent "tender rigging"**.
- If there is a shortlist of contractors, the hotel should ensure that they are invited to bid on a **fair share basis** (e.g. by rotation). Any invitation outside the shortlist must be justified and approved by a managerial staff member at the appropriate level.
- **Other control measures** such as proper documentation, declaration of conflict of interest by the staff involved, and approval of the shortlist should be in place.

To save the resources required to invite tenders or quotations every time when the need for maintenance works arises, hotels may consider appointing a contractor through a **term contract** for the works frequently required for hotel maintenance.

Works Orders are issued either one-off or under a term contract. Orders issued for unnecessary works or for works which could be dealt with by in-house staff could be perceived as favouritism to the contractor. Hence, it is important for the hotel management to have **an effective system to control and monitor the issue of Works Orders**.

If a term contractor is engaged, the hotel should ensure that only works outside the scope of the term contract are outsourced to other contractors.

Variation of Works

The following control measures are recommended in the administration of works orders:

- The managerial staff given the **authority** to approve works orders and the **financial limits** for approval should be specified.
- Before issuing a works order for a one-off job, the hotel should ensure that the works required cannot be handled by the in-house staff and this should be certified by a designated managerial staff member.
- The Works Orders should include **detailed specifications** to clearly define the scope of work and to facilitate subsequent supervision and acceptance of works. Any subsequent instructions given to the contractor should be properly recorded.
- **Instructions** should be issued to the staff concerned to prohibit the splitting of Works Orders which would obviate the need for approval in accordance with the specified financial limits.

Variation of works after the award of contract may substantially increase the cost of the maintenance works and cause extra financial commitment to the hotel. Hence, unnecessary variation of works may be ordered to favour the contractor. To control the issue of variation orders, hotels should consider adopting the following measures:

- **Justifications** for the issue of variation orders should be given and documented.
- **Endorsement from designated managerial staff** should be required before the issue of variation orders.
- **Price quotations** from the contractor should be obtained for consideration before the issue of the variation orders.



Acceptance of Works

- A **summary of variation orders** including the total cost incurred should be made available periodically for management information.
- If the service of a consultant is engaged, he should be required to seek **the hotel management's endorsement** before issuing variation orders which exceed a specified cost.

Acceptance of sub-standard work by compromised staff is an area of concern because malpractice is not easy to detect, particularly when the completed work is covered up. The hotel management should consider adopting the following measures for the acceptance of works:

- Site supervision is important to prevent substandard works. A team comprising staff with technical knowledge should be appointed to conduct **regular site inspections** (together with the consultant as appropriate) to check the material used and workmanship and to check the completed works before acceptance.
- Site inspections should be recorded and regular meetings should be held with the contractors and/or consultants to review work progress.
- If there are any remedial works required, such instructions to the contractors should be made in writing.
- Certification of completion of work should be signed by a responsible staff member on the recommendation of the inspection team.

Processing of Payments

Payments for works to the contractor are made either on an interim basis according to the works progress (usually for large projects) or upon completion of works (for small jobs). As payments could affect the cash flow of the contractors, especially those who are cash-strapped, any delayed or expedited payments could have an impact on them. To prevent manipulation in the payment process, the following safeguards are recommended:

- **Checks involving all the parties concerned** (e.g. the hotel managerial staff, the contractor, and consultant if any) should be conducted at the final stage of work to ensure satisfactory completion of the jobs in accordance with the Works Orders issued before payment.
- Processing of payment applications should be subject to **an administrative or contractual time frame**, and payment authorization should be delegated to staff of the appropriate rank.
- The responsibilities for issuing Works Orders and for certifying payments should be **segregated** as far as possible to enhance checks and balances.

Extension of Time and Liquidated Damages

The granting of extension of time or waiver of liquidated damages (e.g. claims for delay in completion of works) could have financial implications for the contractor. Hence, the hotel staff authorized to exercise discretion are vulnerable to offers of advantages from contractors in return for favours. The hotel management should ensure that these cases are fully **justified and approved** by managerial staff at an appropriate level. The safeguards are similar to those for variation of works.