PS: What do catastrophies such as the Deepwater Horizon spill show us about the value of contractor prequalification/vetting?

Jared: Deepwater Horizon highlights the need for a cohesive and systematic approach to vetting large and small contractors, especially when dealing with a project in which the risk of loss of life or environmental impact is substantial. The operational approach of vetting every person working on such a project should never be taken lightly.

PS: What are the risks of using contractors?

Jared: Companies leveraging contractors incur risks associated with the unknown, such as:

- What level of certification, training or actual experience with the associated job to be performed does the contractor have?
- Does this contractor’s culture support the company’s goals?
- Does this contractor manage its business with policies and procedures that are compliant with jurisdictional requirements?
- Does this contractor have the right type and level of insurances (or have insurance at all)?
- Does this contractor employ enough people to complete a project on time and to specification?

- Does this contractor(s) have a criminal history?

Failure to meet proper qualifications can lead to catastrophic incidents that include loss of life, negative environmental impact, mangled brand reputation and business failure.

PS: Describe the key steps involved in vetting contractors. What processes should employers have in place?

Jared: Vetting contractors is not yet a standard process in most industries, which means the process is left to each employer. Best practices are emerging, however. Generally speaking, the process includes a rigorous prequalification step before contractors can come on site; ongoing monitoring of potential changing requirements and contractors’ good standings; and an annual update of incident records (OSHA requires contractors with more than 10 employees to keep and publish records).

- Employers vet contractors against safety and risk criteria, regulatory and corporate requirements.
- Regulatory compliance. Does the contractor have written procedures and is it following them? Has the company been investigated or cited by OSHA or other federal agencies?

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• Safety performance. How has this contractor performed in the past? What can the firm show to indicate how it will perform in the future? Does the firm have incident records and what is its total recordable injury rate?

• Management engagement. Does the contractor’s management team have a commitment statement and do frontline employees understand the commitment? Is this contractor committed to reducing/mitigating workplace incidents and empowering stop-work programs?

PS: What steps can a company take to ensure that it is hiring a safe contractor?

Jared: Here are some steps I recommend:

1) Use objective criteria. Determine performance by collecting the past 3 years of safety-related statistics, insurance information and general questions about overall management practices. These benchmarks can help decision makers establish expectations, measure current performance and drive continuous improvement.

2) Reach beyond quantifiable data. Be aware of subjective criteria such as work history, written policies and past performance. Use OSHA’s guidelines to ensure that the company is up-to-date with regulatory policies and consider a third-party contractor management company if additional assistance is needed to prescreen suppliers and contractors.

3) Create standard prequalification forms. Use a standardized form to help ensure that the company is using the same criteria to evaluate each contractor. This form should ask for specific information that helps determine safety history, sound hazard identification/mitigation techniques, company culture, and commercial details such as financial stability and insurance requirements.

4) Perform contractor audits. Identify the gap between the contractor’s safety program and the company’s required protocols by performing safety manual, implementation and field audits. Verify training records of frontline employees.

5) Ensure proper inspection. Verify that mission-critical pieces of equipment and tools are being inspected. Evaluate the method being used to ensure that training is conducted based on written programs as they relate to equipment and contractors. Also be sure that job-site inspections and other hazard identification and mitigation techniques are being used.

6) Select contractors carefully. Conduct the proper research to fully vet each contractor prior to selection and make sure bidders understand that safety is just as important as other bidding considerations.

7) Consider all facets. To avoid selecting the wrong contractor, consider factors beyond cost. Selecting safe, effective contractors is more likely to occur when a company invests in preferred vendors and demonstrates a vested interest in their safety procedures and future work opportunities.

8) Perform consistent reviews. Audit and monitor contractor work as it is completed. Be sure to compare actual performance with the original contract, and record safety evaluations as a precautionary measure.

9) Consider a consortium. Create a consortium-model database to best manage vendor data and ensure that user functionality is shared and kept fresh so that all permitted and licensed users have continual access to vendor data.

PS: How can technology enhance this process?

Jared: Technology provides a single source and location for vetting, onboarding and managing contractors. A company can objectively measure contractor performance or the efficiency of its utilization of contractors. Technology allows a company to get a wide-angle view of all of its contractors and also narrow in on specific contractors based on geography, project or area of specialty.

However, technology does not replace prequalification and vetting. Rather, it enhances it exponentially by allowing the process to be systemized across an organization and, over time, automated with real-time information streams and greater granularity of detail. In addition, technology provides the needed visibility on risk level across the supply chain.

PS: Once a contractor is vetted, what should an employer do to confirm that the contractor is performing safely?

Jared: Prequalification is only the first step. Employers must also be concerned with ongoing compliance of their suppliers. So, safety audits are an essential practice. As defined by the International Organization for Standardization an audit is “a systematic and independent examination to determine whether [safety] activities and related results comply with planned arrangements and whether these arrangements are implemented effectively and are suitable to achieve objectives.”

Jared Smith is co-founder of Avetta (www.avetta.com), a global technology firm that helps organizations source suppliers, mitigate supply chain risk and implement sustainable business practices via its cloud-based supply chain risk management platform. Jared holds a B.S. in Finance and Physics from Brigham Young University.