

SLA & OLA
Guidlines
Consulting
Services for
Updating GEA
with Artifacts/Data
Dictionary at
Federal Structure,
Government of
Nepal

<date>

Final

*Strictly Private and
Confidential*



Contents

1. SLA/ OLA Definition.....	2
1.1. SLA Components	2
1.2. SLA Process And Quality Check-list	2
1.3. SLA Review Checklist Service	3
1.4. Roles and Responsibilities.....	3
1.5. Pricing Model	3
1.6. Metrics	3
1.7. Penalties.....	3
1.8. Termination	4
1.9. Audit/ Control.....	4
1.10. Content	4
1.11. SLA documentation structure	4
1.12. How to Correctly Define an SLA.....	6
1.13. Example of the SLA Reporting	9
1.14. Example of SLA Review Checklist	9



1. SLA/ OLA Definition

A Service Level Agreement (SLA) is a legal document within (or attached to) an overall master contract for an outsourcing agreement. An SLA contains a description of the services to be provided pertaining to the buyer's outsourced business process. The SLA also states the service level specifications, which clearly describe the level of performance and results the buyer expects to receive from the service provider. The service provider must meet or exceed these performance standards.

An Operational Level Agreement (OLA) defines the interdependent relationships among the internal support groups of an organization working to support a Service Level Agreement (SLA). The agreement describes the responsibilities of each internal support group toward other support groups, including the process and timeframe for delivery of their services.

The objective of the OLA is to present a clear, concise and measurable description of the service provider's internal support relationships.

SLA/OLA is critical to a constructive outsourcing experience because it defines the expectations of both the client and the provider, and sets the evaluation criteria to be documented and monitored throughout the life of the relationship.

1.1. SLA Components

- Activities to be included and negotiated levels of service for each activity
- Cost for levels of service and factors that drive the service cost (such as volume, delivery time, and quality measure)
- Consensus on ways to minimize costs
- Period of time covered by the SLA
- Periodic updates to review performance
- Penalties for non-compliance or non-conformance to specifications
- Client recourse for dissatisfaction

1.2. SLA Process and Quality Check-list

Step	Description
Define Scope	<ul style="list-style-type: none">• Explain what is included/excluded from the work agreement• Define Amount of services to be provided• Determine entities that will receive the services• Define performance goals• Identify relevant best practices• Select indicative performance metrics



Define Delivery Parameters	<ul style="list-style-type: none"> • Pricing • Schedule and availability • Delivery Model • Sub-contracting • Policies
Define Performance Metrics	<ul style="list-style-type: none"> • Cost: cost per function point/service activity • Quality: defects per function point/service activity • Productivity: time to report and to fix problem • Client satisfaction: periodic surveys • Personnel related: turnover, training
Define Rewards and Penalties	<ul style="list-style-type: none"> • Penalties, incentive, payments and damages • Consequential SLAs • Renegotiation and termination • Recommended steps for renegotiation
Define SLA Management Processes	<ul style="list-style-type: none"> • Organization • Policies and procedures • Performance reporting
Document and Implement	

1.3. SLA Review Checklist Service

- Is the scope of the service clearly defined (positively and negatively)? Are the processes to be used for issue identification and resolution specified?

1.4. Roles and Responsibilities

- Are the roles and responsibilities of both contractual parties clearly defined? Is a central point of contact to direct queries, complaints and issues established?

1.5. Pricing Model

- Is the pricing model transparent? Is the pricing model scalable? Does the pricing model cover all services and service levels?

1.6. Metrics

- Are performance metrics and corresponding service levels against each metric defined? Is the frequency of performance reviews/reports defined?
- Are the metrics included SMART

1.7. Penalties

- Are the conditions of pricing penalties clearly defined? Do penalties apply to all services and service levels? Is the process to apply penalties clearly established?



1.8. Termination

- Is a termination procedure in place/ clauses for premature termination of the agreement by either party? Will there be transition support in case of termination? Are there provisions for renewal option at the end of the contract?

1.9. Audit/ Control

- Are right to audit clauses included? Are clauses on data privacy, data protection and intellectual property included?

1.10. Content

- Does the SLA contain a definition of terms (i.e. workday) or glossary? Is the SLA signed by both parties? Are any relevant assumptions clearly stated?

1.11. SLA documentation structure

The SLA document should be transparent, well structured and cover at least the following sections:

- **Change history** – this part of the document should log all document’s versions and changes incorporated, including date of change and person who initiated and also made a change.
- **Introduction** – the section should provide a general overview on the purpose of the document, processes in scope, etc.
- **Definitions** - this section should list all definitions and abbreviations used in the SLA document.
- **General business roles** – this part of the document should provide a general overview on business structure, general responsibilities and roles.
- **Major responsibilities and parties involved** – the section should list details of process and sub-processes covered by the SLA document and general responsibilities of the parties involved – SSC and business units

Detailed definition of responsibilities, roles and tasks to be performed:

- by business units as an input to the SSC operations (OLA – Operation Level Agreement)
- by the SSC (SLA – Service Level Agreement)

This section should also include detailed list of deliverables on every process stage. SLA and OLA help to identify the responsibilities of Business Units and the SSC in the whole process and makes both sides fully involved and responsible. It is very important to define SLA and OLA in a contractual format – every detailed task should be in line with the contract and procedures related to the payroll process. This section should be Input – Output driven and clearly define what must be done by Business Units before SSC executes its task and what SSC should deliver to the Business Units.

In order to enable good understanding, the SLA / OLA should be clearly referenced to the Payroll process documentation (process maps and procedures). The SLA/OLA document should give an extract of what has to be done, when and by whom. It is very important to assign responsibilities for every task / deliverable listed in the SAL / OLA.

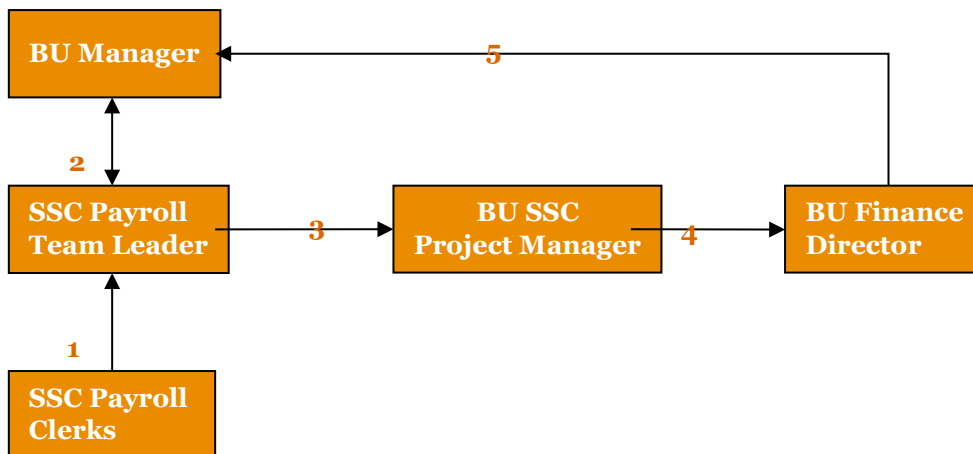
- **Key Performance Indicators (KPI’s)** – the SLA document should specify measures for all key tasks and deliverables. It should reflect both quality and timing of process input / output. KPI’s need to have structured and defined reporting format and lines. Apart of general Payroll KPI’s, the document should also define process specific measures. Every KPI needs to have defined targets and long term objectives.



- **Issue resolution and escalation path** – in order to address smoothly any potential issues and disputes, the document needs to define an escalation path. This should be achieved by detailed procedure and steps to be taken on particular organisation levels according to issues to be escalated. All positions involved in the escalation process should be clearly identified and contact details provided.

Example escalation path for Payroll process

1. SSC Payroll Clerk informs SSC Payroll Team Leader once an issue is identified
2. SSC Payroll Team Leader informs Business Unit Manager
3. If Business Unit Manager does not reply, SSC Payroll Team Leader escalates the issue to BU SSC Project Manager
4. BU SSC Project Manager informs BU Finance Director
5. BU Finance Director as a supervisor of BU Manager send a reminder and follows up accordingly



- **Charges – calculation and invoicing** – this section of the SLA document should address all aspects related to SSC charges to the business units. The charges should be based on defined costing method (for example cost allocation / Activity Based Costing for services plus margin level, according to corporate standards) and contains rules for additional costs charging (travel expenses, dedicated people training, etc.). Also charging and receiving entities should be identified and clearly presented with all contact details.
- **SLA document review process** – in order to maintain the SLA document up to date and reflect all current circumstances and potential changes to the payroll process itself and / or the SLA documentation. The review process should define frequency of regular review, responsible parties and also an approval process for any proposed amendments.
- **Signatories and approvals** – Agreed SLA document needs to be approved and formally signed by both contractual parties, i.e. business units and the SSC. Any amendments to the document should also go through the approval process before incorporated into the SLA document.



1.12. How to Correctly Define an SLA

I. General

A. Precisely Defined and Objective. Service Levels (SLAs) must be precisely defined and based on objective measures of performance. Without precision, the parties may not have a true agreement regarding the SLAs – leading to future disagreements.

B. Readily Understandable by Non-Experts. SLAs should be drafted so that non-experts (such as a judge or an arbitrator) can understand the service being measured and how the measurement will be done. This means SLAs need to be drafted clearly and carefully. As you draft, ask yourself, “Will a layman be able to understand this?” If the SLA cannot be understood without understanding the technology well, it is likely to cause disputes after the original team is replaced.

C. Complete. SLAs become more difficult and expensive to add or modify as time goes on because the suppliers structure their solutions and pricing around the SLAs.

D. The provider establishes a standardized SLA process that defines contractual SLA metrics and the associated data elements, and ensures that target metrics are clearly stated in the contract.

E. Automated systems should monitor and analyze the data elements in real time, and document and report results. Periodically, the results gained from the data are assessed against the contractually agreed upon target metrics.

F. Corrective actions, based on monitoring and analysis, are taken before penalties are incurred. For areas where the service provider failed to achieve required metrics, the provider presents the client any requested audit documentation for the affected metrics and provides service credit to the client. To prevent future issues, remedial action must be initiated, tested, and verified for the metrics that were not met. If the corrective action is deemed successful, the provider should re-earn penalty based on contractual agreement.

G. Efficiency and quality indicators for the various processes are key in defining cooperation between BPO/SSC and clients (both internal and external).

H. These indicators should always be included in an agreement on the level of service (SLA/OLA) that define the current performance and goals for the future, such as improving the efficiency of processes as a result of improvements.

I. It is important to be able to measure and monitor these indicators promptly, regularly, and cost effectively. therefore, automation of the measurement process is crucial.

J. It is also important to focus on the most meaningful, key indicators rather than collect data on every possible indicator.

K. When creating KPIs, the ability to compare these with the best practices available on the market, in order to be able to effectively benchmark, is also a consideration

II. Scope.

A. Introductory Statement. Introduce each SLA with a brief statement describing:

- (i) the software, equipment, system or service subject to the SLA; and
- (ii) the particular aspect of performance being measured.

For example: “This Service Level measures [on a site by site basis] the number of IP packets sent over [the WAN] that are lost on a [monthly] basis, expressed as a percentage of the total packets sent.”

B. Define What is Being Measured. A SLA generally is a measure of the quality, speed, availability, capacity, reliability, user-friendliness, timeliness, conformity, efficiency or effectiveness of services. Whatever the measure, it must be clearly and precisely defined.



- (i) Example 1: Network Availability. For a network availability SLA, what network(s) and points on such network(s) will be measured?

For example, “[WAN Availability] is to be measured between [the inside Ethernet port on each remote site’s router] to [the inside Ethernet port on the router at the hub site associated with such remote site].”

- (ii) Example 2: Server Availability. For a server “availability” SLA covering multiple servers, is availability based on aggregated availability of all servers or determined for each individual machine? For example, if the SLA is 99.9%, will it be met if average availability is 99.9% but several individual servers had availability below 99.9%?

C. Precisely define how the SLA will be measured. This is critical because there are often many ways to measure the same SLA. If the measurement approach is not clearly stated, you may not get the necessary protection of the SLA. For example, it’s not sufficient to simply say “packet loss will be measured by the Supplier’s Deluxe Packet Measuring Tool” because that tool may have many approaches for measuring packet loss and/or may be changed by the Supplier.

- (i) Example: Measurement of Latency. Define how the measurement and monitoring tool will work. If the tool takes data samples, at what frequency will samples be taken? Will latency be measured during both peak/non-peak and/or critical/non-critical periods? Will latency be measured for each type of service (e.g., voice vs. data vs. multimedia, etc.)? What test “ping” size will be used? What test demarcation points will be used for round trip path?

D. Define Measurement Period. Define over what period of time each SLA will be measured. For example, should server availability be measured and reported weekly, monthly or quarterly? The measurement period selected will affect how much a Supplier’s performance on any given day impacts the SLA for the overall measurement period. It is not unusual for SLAs to be measured continuously throughout a month and reported on a monthly basis. However, business, legal or other requirements may dictate other periods.

E. Define All Terms. Downtime, Scheduled Uptime, Resolution, Repair, Severity Level, Class A Server, and other terms that may be used in each SLA must be defined clearly and precisely.

- (i) Example: Definition of “Downtime”. It may be appropriate to define “Downtime” for a given measurement period as the total time during such measurement period the applicable service was not available or degraded in any material respect.
- (ii) Example: Definition of “Resolution”. It may be appropriate to define “Resolution” for a given problem as occurring when Supplier confirms with the appropriate end user that the problem has been resolved and that the applicable service(s) associated with the problem is (are) available and functioning in accordance with applicable specifications

F. Define Triggering Events. Availability, call answer time, latency, IMACs and other SLAs tied to time or specified events must clearly identify starting and stopping conditions for the SLA.

- (i) Example 1: Start/Stop of Downtime. “Downtime” for an availability SLA may start at the earlier of: (a) the time the downtime is detected by Supplier through its monitoring systems, (b) Supplier’s Help Desk is advised of the downtime, or (c) BPO Provider personnel otherwise have notice of the downtime. Such downtime may end when Supplier confirms that the downtime has ceased.
- (ii) Example 2: Latency. “Latency” may be defined as the time period from (i) a sample data packet leaving a defined transmission point, until (ii) such data packet is received at such transmission point after travelling along a defined network path.

G. Include a Formula to Calculate each SLA. Each SLA should include an appropriate formula to calculate Supplier’s actual level of performance against the SLA.

- (i) Example 1: Availability. For an availability SLA, the following formula may be appropriate:

Availability = ((Scheduled Uptime – Downtime)/Scheduled Uptime) x 100



- (ii) Example 2: Packet Loss. For a Packet Loss SLA, the following formula may be appropriate:

Packet Loss = (Number of test packets lost during the month/Total number of test packets sent during the month) x 100

- (iii) (Example 3: Average Speed to Answer. For an Average Speed to Answer (ASA) SLA, the following formula may be appropriate:

ASA = (the sum of the total time (in seconds) that each call placed in the call queue spent in the call queue before answered by a live agent)/(the total number of calls placed in the calls queue)

- (iv) Example 4: Severity 1 Problem Resolution. For an SLA tied to Severity Level 1 Problem Resolution, the following formula may be appropriate:

Problem Resolution Percentage = ((total number of Severity Level 1 Problem Tickets Resolved for a given month minus the Severity Level 1 Problem Tickets for such month not Resolved within [4 hours]) divided by the total number of Problem Tickets for such month) x 100

III. Identify Applicable Exclusions.

Some SLAs list events or conditions excluded from the SLA or for which the Supplier will not be held accountable, such as force majeure events or outages caused by out-of-scope systems. Exclusions should be precise and limited.

IV. Identify the Weighting of Each SLA.

Each SLA should be assigned a rank or weighting value (say, from 1 to 10) based on its importance. At a later time, credit amounts may be assigned to each SLA based upon this weighting.

V. Identify SLA Effective Date.

A complete set of SLAs will need to be defined for each major phase of the outsourcing, which might include Current State, Transformation, and Future State. Thus, there will be three (3) sets of SLAs covering each service area. Each SLA needs identified kick-in and turn-off points. Careful attention must be given to this in order to have clear lines of demarcation for when one SLA begins and another SLA ends. In some instances, it may be necessary to have certain SLAs measured simultaneously.

- (i) Example: Server SLAs. For a SLA related to servers, Supplier will start measuring performance in accordance with the future state SLA for each server that has been migrated/transformed and is in production use, but Supplier will continue to measure the servers that have not been transformed in accordance with the transformation SLAs.

VI. Minimum/Expected SLAs.

Specifying multiple performance levels would enable different remedies, such as service level credits, to apply depending upon the level of performance achieved. For example, if an availability SLA has a 99.99% “expected” level and a 95% “minimum” level, higher service level credits (and other remedies) could apply to for a failure to meet the minimum level than from a failure to meet the expected level.



1.13. Example of the SLA Reporting

F&A #	Designation	Type	Sub Tower	Client F&A SLA Scorecard														
				Short Description	Target	Min / Max	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	
2	Key	1	GA	Percent of account reconciliations completed for this month	100%	95.0%	97	94	96	97	97	97	97	96	96	94	96	97
3	Critical	1	GA	Number of months each year that financial results are resubmitted after due date + 24 hours	0%	2.0%	2	1	2	1	2	1	2	2	2	2	1	1 month lag
4	Key	2b	FA	Percent of completed work orders processed manually, accurately and closed on a timely basis	100%	95.0%	93	99	97	98	99	97	97	99	97	99	99	1 month lag
5	Key	2b	GA	Percent of audit schedules prepared on time this quarter	100%	98.0%	97	x	x	100	x	x	100	x	x	99	Report in June	
6	Critical	1	T&E	Percent of T&E reports processed within three business days this month	100%	98.0%	100	99	100	97	97.6	100	99	100	99.9	99	100	
7	Critical	1	Payroll	Percent of paychecks / electronic payments made accurately and timely	100%	99.9%	99.9	99	99.9	99.9	99.9	99.9	99.9	99.9	99.7	99.9	99.9	
8	Critical	1	Payroll	Percent of tax filings and deposits made accurately and timely this month	100%	100.0%	100	100	100	100	100	100	100	100	100	100	100	
9	Key	1	Payroll	Percent of W-2 forms processed accurately and timely this year	100%	99.9%	x	x	x	x	x	x	x	x	x	x	x	
10	Key	1	AP	percent of invoices processed correctly during the month and paid within 5 days of receipt of all necessary	99.5%	99.0%	99.9	99.9	99.9	99	99	98.4	99.5	99.5	99.5	99.8	99.7	

1.14. Example of SLA Review Checklist

Expectation	Yes	No	N/A	Comments
A. Service				
Is the scope of the service clearly defined (positively and negatively)?				
Are the processes to be used for issue identification and resolution specified?				
Are the processes to change the terms of the SLA (i.e. requirements, scope of services, service levels) specified?				
Are processes for key provider personnel change/ approval rights of vendor personnel changes / criteria to screen replacement specified?				
Are third party assignments clauses included (i.e. control quality when vendor contracts out an obligation to another provider, liability to primary contractor, notification of use of subcontractors)?				
Are clauses regarding business continuity/ contingency management / disaster recovery included?				
Is a notice of material adverse impact clause included (i.e. client's right to be informed of any significant event that could impact the vendor's ability to meet its performance obligations)				
Are clauses requiring the vendor to implement security procedures defined by the customer included?				
Does the contract include clauses specifying modes of knowledge transfer to the client during final phases of services?				
B. Roles and Responsibilities				
Are the roles and responsibilities of both contractual parties clearly defined?				



Expectation	Yes	No	N/A	Comments
Is a central point of contact to direct queries, complaints and issues established?				
C. Pricing Model				
Is the pricing model transparent?				
Is the pricing model scalable?				
Does the pricing model cover all services and service levels?				
Are price protections established? (i.e. price changes, “most favoured customer”, pre-agreed pricing parameters)?				
D. Metrics				
Are performance metrics and corresponding service levels against each metric defined? Do they include metrics for:				
• Volume (expected usage of service i.e. number of requests per month)				
• Availability (when and to what extent the service is available i.e. timeframes, days service is provided)				
• Quality (reliability i.e. number of failures per month, number of missed deadlines)				
• Responsiveness (i.e. time to implement an enhancement or resolve an issue)				
• Efficiency (client satisfaction survey, time to perform a duty)				
Is the frequency of performance reviews/reports defined?				
Are the metrics included SMART (specific, measurable, achievable, realistic and timebound)?				
E. Penalties				
Are the conditions of pricing penalties clearly defined?				
Do penalties apply to all services and service levels?				
Is the process to apply penalties clearly established?				
Have clear amounts/ calculation methods for each penalty been determined?				
Are clauses that stipulate the availability of the contracts renegotiation for non-achievement of SLA included?				
F. Termination				
Is a termination procedure in place/ clauses for premature termination of the agreement by either party?				
Will there be transition support in case of termination?				
Are there provisions for renewal option at the end of the contract?				
G. Audit/ Control Environment				
Are right to audit clauses included?				
Are clauses on data privacy, data protection and intellectual property included?				
H. Content				
Does the SLA contain a definition of terms (i.e. workday) or glossary?				
Is the SLA signed by both parties?				
Are any relevant assumptions clearly stated?				
Are provisions for extensions/renewal of the contract included?				

Note: Depending on the service provided, other risks for which additional clauses in the SLA should be included may exist.