Survey of Contract Management Organizations’ Resources, Tools, and Structure

Breakout Session #: C06

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Date: July 24, 2017
Time: 4:00 PM – 5:15 PM
Agenda

• Introduction to the Study
• Demographics
• Firmographics
• Contract Management Function
• Government Oversight & Risk
• Policies & Procedures
• Training
• Tools & Resources
• Best Practices: 7 Tips for Success
More than 250 federal contracting professionals were polled to benchmark how businesses perform the contract management function.

- Small, mid-market and large companies
- Array of industries
- All levels of experience and responsibilities
Today’s complex regulatory environment makes it more important than ever for federal contractors to effectively manage their contracts to ensure compliance and optimize performance.

Contract management is a **critical business function**.
Despite near-universal agreement on the vital role that contract management plays for federal contractors, the survey results showed inconsistencies in the actions taken in support of this belief.
Respondent Demographics

The CM Workforce

- Underlying demographic trends
- Turnover
- Senior level respondents

Age
- ≤34: 7%
- 35-44: 20%
- 45-54: 34%
- ≥55: 39%

Tenure
- 66% < 10 years
- 22% 10–20 years
- 12% > 20 years

Job Level
- Management (Director, Manager): 52%
- Executive Management: 32%
- Staff: 12%
- Other: 3%
The majority of respondents work for a large business (based on Small Business Administration size standards for primary NAICS code)

**Business Size**
- 3% Don’t Know
- 29% Small
- 68% Large

**Employees**
- Greater than 10,000: 36%
- 5,000–9,999: 7%
- 1,500–4,999: 10%
- 750–1,499: 8%
- 100–749: 22%
- Fewer than 100: 17%
Two-thirds of respondents identified their firms as service providers.
Firmographics: Revenue

Fiscal Year Revenue

Revenue Associated with Federal Government*

Highest Federal Revenue Source

- Fixed Price Contracts: 39%
- Cost Reimbursement Contracts: 27%
- Indefinite Delivery Contracts: 12%
- Time & Materials, Labor Hour and Letter Contracts: 10%
- Incentive Contracts: 3%
- Don’t Know: 11%

*In the last fiscal year
More than half of respondents reported that their companies hold CAS covered contracts.
The majority of respondents reported that their companies have a **centralized contracts department**

Companies best suited to manage federal contracts view their overall contract management teams holistically

They use teams and resources spanning all areas of an organization, including legal, HR, accounting, business development and operations

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Description</th>
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<tbody>
<tr>
<td>54%</td>
<td>A centralized department with all contracts-related responsibilities within that department</td>
</tr>
<tr>
<td>35%</td>
<td>A centralized department with all contracts-related responsibilities dispersed across the organization</td>
</tr>
<tr>
<td>11%</td>
<td>Had no contract department or were unsure</td>
</tr>
</tbody>
</table>
Respondents most often report their firm has a dedicated contract group between 2-10 people.

The size of the contract management group is dependent on the size of the organization.

Companies can find success managing their contracts through either a centralized or decentralized department.

Regardless of size and structure, the fundamentals of good contract management are key to any organization's success.
Contract Management Function: Procurement

- 49% Resides Outside of Contracts Department
- 37% Resides Within Contracts Department
- 8% No Contracts Department
- 5% Don’t Know
Respondent organizations are currently experiencing differing oversight levels from its government customers with most reporting medium oversight.

Two-thirds describe their organization as having a low risk profile relative to the level of oversight from its government customers.
Respondents who work for a company with >10,000 employees and those who experience medium to high oversight from the government rate their firm’s ability to proactively identify and manage risk significantly higher than others.

Service providers rate their firm’s ability to quickly respond to audit and information requests significantly higher than manufacturers/resellers, while manufacturers/resellers rate their firm’s bid/proposal win rates significantly higher than service providers.
59% indicated that robust contract management policies and procedures are formally documented and mandated throughout the organization.

- Formally documented contract management policies and procedures are critical to ensuring efficiency, risk mitigation, and consistency in business practices.
- This is true regardless of industry or the size of the contracts group.
A significantly greater portion of respondents whose employers provide formal internal or external training agree that their company has the appropriate policies, procedures and tools to effectively manage its contracts.
The survey results show a strong correlation between training and a contractor’s success in the federal marketplace.

**Contracts-Oriented Employee Training**

- **Formal Internal**: 32%
- **Formal External**: 26%
- **Informal**: 18%
- **No Training**: 11%
- **Don’t Know**: 13%

**Win Rates**

- **> 50% Win Rate**:
  - Formal Internal: 37%
  - Formal External: 26%
  - Informal: 34%
  - No Training: 6%
  - Don’t Know: 6%

- **≤ 49% Win Rate**:
  - Formal Internal: 23%
  - Formal External: 19%
  - Informal: 19%
  - No Training: 16%
  - Don’t Know: 16%
The majority of respondents whose employers provide formal internal or external training rate their company’s ability to proactively identify and manage risk, its bid/proposal win rates and training of resources as above average/excellent.

% Above Average/Excellent

- Formal internal training
- Formal external training
- Some training, but it is informal in nature
- No training/unsure

Proactively Identifying and Managing Risk
- 75%
- 60%
- 49%
- 41%

Win Rates
- 53%
- 64%
- 33%
- 39%

Training Resources
- 57%
- 66%
- 28%
- 27%
The vast majority of respondents in the DC metro area and those who work for businesses with 1,000+ employees agree that their companies have the appropriate policies, procedures and tools to effectively manage federal contracts.
The majority of companies use either Microsoft Excel or SharePoint to track/manage their firm’s contracts.
# Perceptions Regarding Resources and Risk

How does your company stack up?

<table>
<thead>
<tr>
<th>Perception</th>
<th>Strongly disagree</th>
<th>Somewhat disagree</th>
<th>Neither agree or disagree</th>
<th>Somewhat agree</th>
<th>Strongly agree</th>
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<tbody>
<tr>
<td>I believe that effective contract management is essential to my firm’s success</td>
<td>1%</td>
<td>3%</td>
<td>4%</td>
<td>73%</td>
<td></td>
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<tr>
<td>My company has the appropriate policies, procedures, and tools to effectively manage its contracts</td>
<td>3%</td>
<td>12%</td>
<td>12%</td>
<td>39%</td>
<td>33%</td>
</tr>
<tr>
<td>My company has the appropriate resources and staffing to effectively manage its contracts</td>
<td>5%</td>
<td>15%</td>
<td>11%</td>
<td>44%</td>
<td>26%</td>
</tr>
<tr>
<td>I believe my company may be at risk for non-compliance with government contract obligations</td>
<td>42%</td>
<td>25%</td>
<td>14%</td>
<td>16%</td>
<td>3%</td>
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1. Thoroughly assess your company’s business practices, compliance obligations, and infrastructure in order to develop a contract management program that is optimally tailored to the unique characteristics of your organization.

2. Ensure some degree of centralization with respect to the management and storage of contract documentation, confirm that document retention practices are aligned with basic government standards, and organize this information in a way that will allow for ease of access if audited.

3. Establish the appropriate segregation of duties between contract management and sales to eliminate potential conflicts of interest and minimize risk to the business.
4. Document relevant business practices in formal policies and standard operating procedures, and make certain that preventive/detective controls effectively mitigate risk.

5. Provide contracts personnel with recurring and targeted training to ensure they have the skillset necessary to succeed in their role(s).

6. Make sure that the system(s), tools, and resources relied upon to manage contracts are properly suited to the business, its compliance obligations, and contract volumes.

7. Implement a process with defined metrics to periodically measure the effectiveness of the contracts function and adjust practices as necessary to remediate control gaps and enhance efficiency.
Contact Information

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