

Best Practices in Procurement & Contract Management

Definition: Contract Administration

- The term is to describe the management functions that are performed after the contract has been signed to assure full compliance with the terms and conditions contained within the contract.

These Include: (But not limited to)

- All Terms and Conditions
- Delivery or Operations Schedules
- Staffing and Supervision
- Site Conditions, Work Rules, Safety
- Invoicing, Documentation
- Payment Terms

These Include: (But not limited to)

- Materials Purchase Procedures
- Background Checks, Security Clearances
- Insurance, Permits
- Conflicts with other work
- Inspections, Quality Assurance

These Include: (But not limited to)

- Modifications or Change Orders
- Contract Closeout
- And Others

Monitoring & Controlling Progress

- Suppliers are responsible for the timely and satisfactory performance of their contracts.
- The Method we use to monitor depends on the complexity and urgency of the contract.

Monitoring & Controlling Progress

Operations Progress Report

Request a production schedule for review and approval.

Schedule shows supplier's actual and forecasted deliveries or progress.

Monitoring & Controlling Progress

Charting techniques used are:

Gantt Charts

CPM (Critical Path Method)

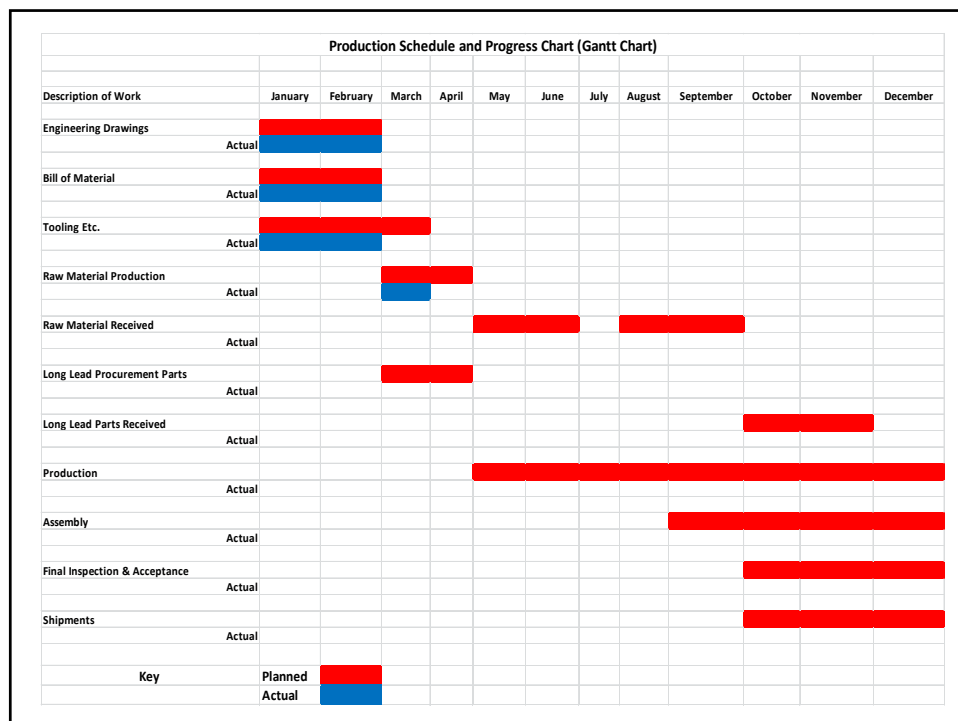
PERT (Program Evaluation & Review Technique)

Monitoring & Controlling Progress

Gantt Chart:

Simplest of the charting techniques

1. Project is divided into elements
2. Time required to completed element
3. List the various elements
4. Chart actual progress



Monitoring & Controlling Progress

Gantt Chart Disadvantages:

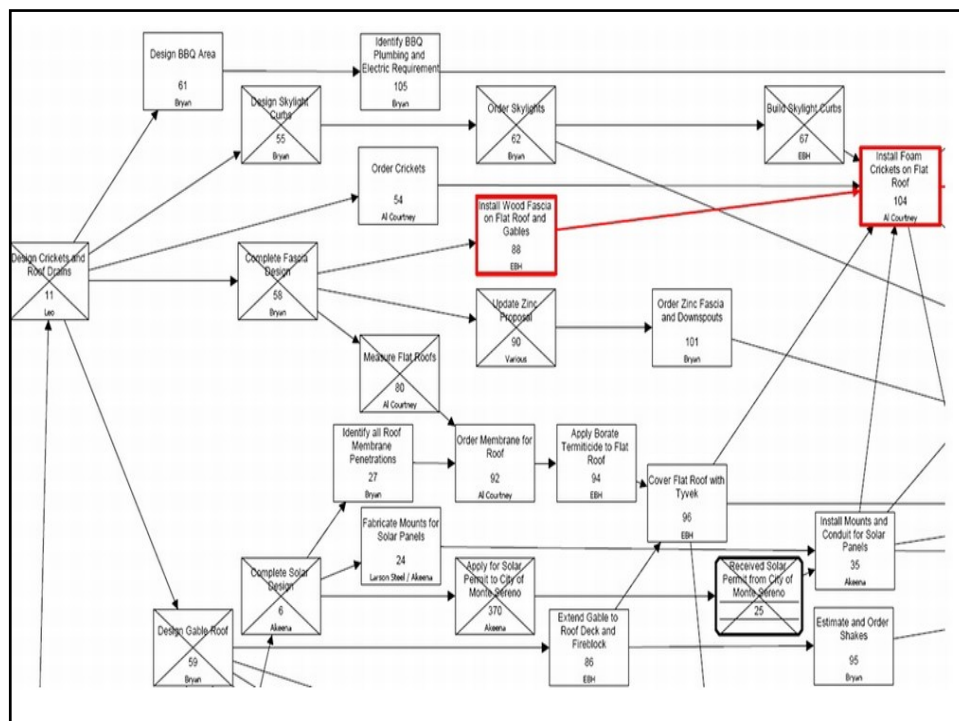
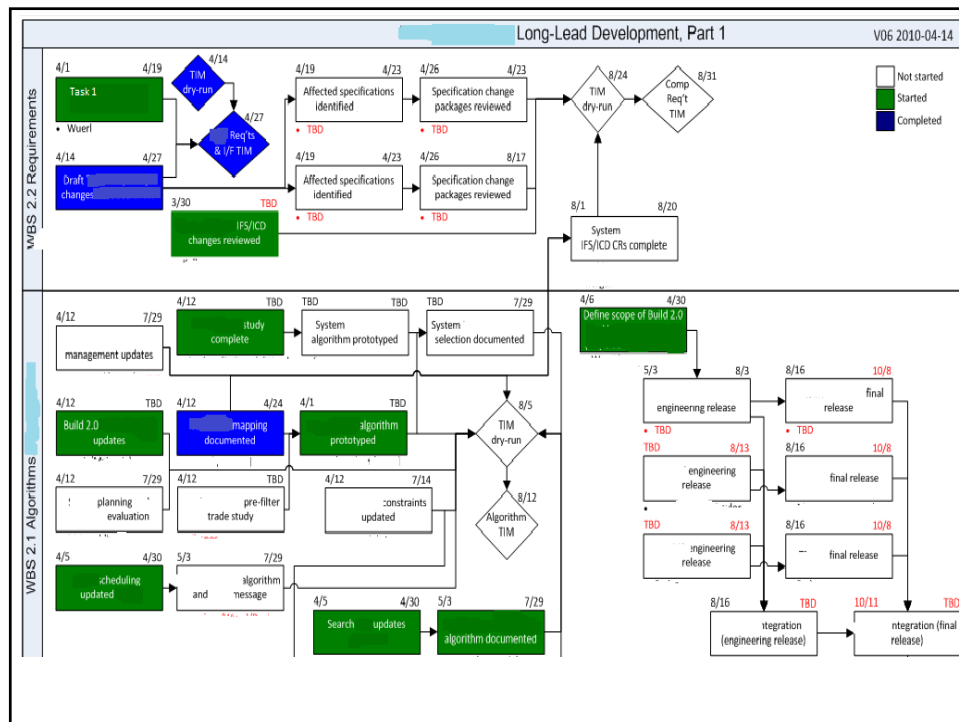
Not the best when project has several interdependent activities.

Does not provide full impact of activities being ahead or behind schedule.

Monitoring & Controlling Progress

CPM or PERT Charts:

1. Used for very complex projects
2. Most useful when many interrelated and interdependent activities are involved.



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Monitoring & Controlling Progress

Material Requirement Planning or
MRP System

MRP II System

Monitoring & Controlling Progress

Motivation for Suppliers

Two Common Approaches

1. Rewards – More Business- Future Business
2. Punishment - No more Business – “Bill Back”- Down Grade Suppliers

Monitoring & Controlling Progress

Assistance to Suppliers

1. Offer Training
2. Quality Audits
3. Problem Solving
4. Supplier Surveys

Best Practices in Procurement

Fixed Price Contracts

Firm Fixed Price
Fixed Price-Incentive
Fixed Price with Re-determination
Fixed Price with Escalation

Best Practices in Procurement

Cost Contracts

- Cost Plus Fixed Fee
- Cost Plus Incentive Fee
- Cost Sharing
- Time & Material

Best Practices in Procurement

Fixed Price Contracts

- Firm **F**ixed Price
- Fixed Price-**I**ncentive
- Fixed Price with **R**e-determination
- Fixed Price with **E**scalation

Best Practices in Procurement

Express Warranty

Implied Warranties (2)

Implied Warranty of Merchantability

Implied Warranty of Fitness for a
Particular Purpose

Warranty of Title

Best Practices in Procurement

Warranty

When does the Warranty start?

Monitoring & Controlling Progress

Termination for Default

1. Contract Manager tries to resolve with contractor site supervisor
2. Contract Manager contacts Contractor's Upper Management
3. Formal Meeting of all Parties
4. Contract Terms are Initiated (Damages)
5. If Necessary Terminated Contract

Contract Management

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