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CONTRACT ADMINISTRATION

TOOLS, TECHNIQUES AND BEST PRACTICES

GREGORY A. GARRETT



Wolters Kluwer
Law & Business

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PREFACE

The art and science of managing U.S. federal government contracts after they have been awarded can be highly complex indeed. For more than 30 years, I have observed how much time and attention both U.S. government agencies and government contractors spend in determining requirements, developing acquisition strategies, preparing proposals, selecting the right contractor(s), negotiating the deal, and forming the contract. Unfortunately, I have also noticed how little time and resources government agencies and contractors devote to successfully managing the contracts after award. Stated simply, post-award contract management, commonly called contract administration, is vital to the successful delivery of quality products, services, and solutions in support of the mission of nearly every government agency. Thus, the topic and focus of this book is critical for helping improve the government and industry contract administration process and communicating the importance of the functions performed.

While many books have been written about developing winning proposals to obtain U.S. government contracts, very few books have focused on how to apply proven tools, techniques, and best practices to contract administration. Once again my friend Gregory A. Garrett has done an outstanding job of writing and assembling a team of 10 top experts in contract management, accounting, project management, supply chain management, government contract law, and government property management to author this unique text.

I consider this book a practical, informative and compelling reference guide for everyone involved in U.S. federal government contract administration! I have been asking Gregg for many years to write a book focusing on contract administration tools, techniques, and best practices and he has done it!

Deidre Lee

Executive Vice President of Federal Affairs and Operations

Professional Services Council &

Former Administrator, Office of Federal Procurement Policy

DEDICATION

I dedicate this book to all the men and women within the U.S. federal government and industry who devote countless hours to ensure that the promises made in contracts are actually delivered!

To Carolyn

I cannot imagine my life without you and our children. Thank you for your friendship, love, and support.

To Dr. William C. Pursch

I appreciate and value your friendship, coaching, and support for the past 20+ years. You are an Officer and a Gentleman.

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Dr. Rene G. Rendon, CPCM, C.P.M., PMP

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Barbara Hanson

Julie McKillip

ABOUT THE PRINCIPAL AUTHOR

Gregory A. Garrett is a Managing Director of the Navigant Consulting, Inc., Government Contractor Services, practice in the Vienna, Virginia, office. An internationally recognized expert in government contracting, cost estimating, contract pricing, risk management, and project management, he is also a best-selling author and highly acclaimed speaker. During the past 25+ years, he has managed more than \$30 billion of large complex contracts and projects for both the U.S. government and industry. He has taught and consulted with more than 25,000 professionals in more than 40 countries and is the recipient of numerous national and international business awards for his writing, teaching, consulting, and leadership.

Mr. Garrett provides client support in assessing business risk and makes recommendations for performance improvement of contractor purchasing systems, cost estimating systems, bid/proposal management practices, contract pricing systems, contract administration practices, earned value management systems (EVMS), supply-chain management processes, and program management methodologies. He also serves as an expert witness in support of client claims and/or litigation.

A highly successful industry executive, prior to joining Navigant Consulting, Mr. Garrett served as Chief Operating Officer (COO) for Acquisition Solutions, Inc., where he led some 200 consultants providing professional services to more than 30 U.S. federal government agencies. He served nine years with Lucent Technologies, Inc., as Chief Compliance Officer and VP of Program Management for all U.S. federal government programs. Previously, he was Partner and Executive Director of Global Business at ESI International. A highly decorated military officer of the U.S. Air Force, Mr. Garrett's service included program manager, Space Systems Division; warranted contracting officer, Aeronautical Systems Division; professor of contracting management, Air Force Institute of Technology; and acquisition action officer, HQ USAF at

the Pentagon. A prolific writer, Mr. Garrett has authored 15 books and published more than 80 articles on bid/proposal management, government contracting, project management, cost estimating, contract pricing, contract negotiations, risk management, supply-chain management, and leadership.

INTRODUCTION

This book is intended as a practical and informative reference guide for U.S. federal government agency business professionals and government contractors involved in managing contracts. It is a comprehensive guide to the contract administration process that is required for U.S. federal government contracts. A team of 10 leading experts in contract management, project management, supply chain management, accounting, law, and property management have worked together to develop this one-of-a-kind publication.

Our hope is that you will find this text to be a valuable resource that explains and informs about what it takes to effectively manage government contracts. This book provides a wide range of discussion regarding the functional skills, tools, techniques, and best practices that are available and adaptable to help improve performance results.

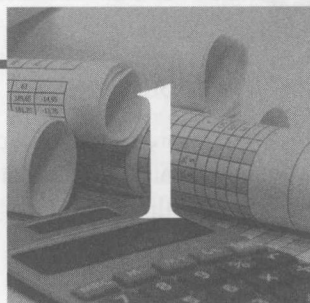
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CHAPTER

1



CONTRACT ADMINISTRATION: PERSONNEL, WORKLOAD, AND PROCESSES

INTRODUCTION

For more than three decades, U.S. government audits conducted by numerous agencies and watchdog groups have indicated the real and compelling need for improved post-award contract administration by government and industry. In both the public and private business sectors, contract administration is often an afterthought, usually insufficiently staffed as to both the quality and quantity of resources (contract manager, project manager, technical managers, property managers, supply-chain/subcontract managers, etc.). Typically, government and industry focus their time, attention, and key resources on soliciting, proposing, negotiating, and forming the contract—simply stated, getting the deal. As a result, there are often very limited resources to manage, administer, and close out the deal.

While project management and earned value management have received significant focus and attention in recent years for the value-added capabilities they can provide, few organizations have paid much attention to post-award contract administration and closeout activities, which are equally vital to business success.

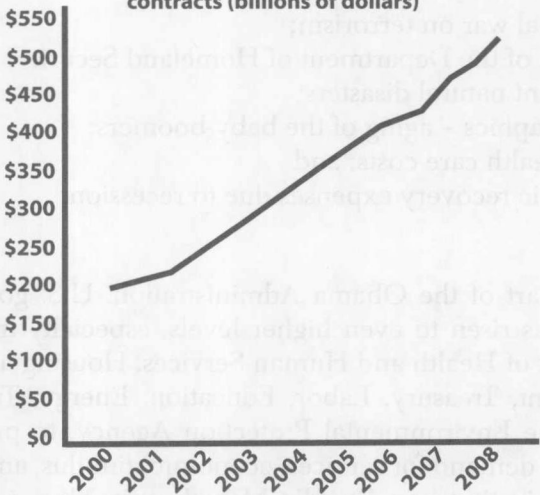
In this chapter, we focus on the importance of having the appropriate people and processes in place to manage the growing number, value, and complexity of contracts to ensure that U.S. government agencies are able to obtain quality products, services, and/or solutions from government contractors and subcontractors.

CONTRACT ADMINISTRATION: PEOPLE AND WORKLOAD

U.S. government agencies and contractors both are highly focused on awarding/receiving contracts and spending money. Yet, both currently suffer from a shortage of human talent to effectively and efficiently manage the massive growth of U.S. government spending. Since fiscal year (FY) 2000 the U.S. government's spending has increased from \$219 billion to more than \$538 billion in FY 2008 (see Figure 1-1). In addition, the number of transactions or contracts awarded by U.S. government agencies during the same period of time has grown from 500,000 in FY 2000 to over 7.7 million in FY 2008 (see Figure 1-2).

Figure 1-1

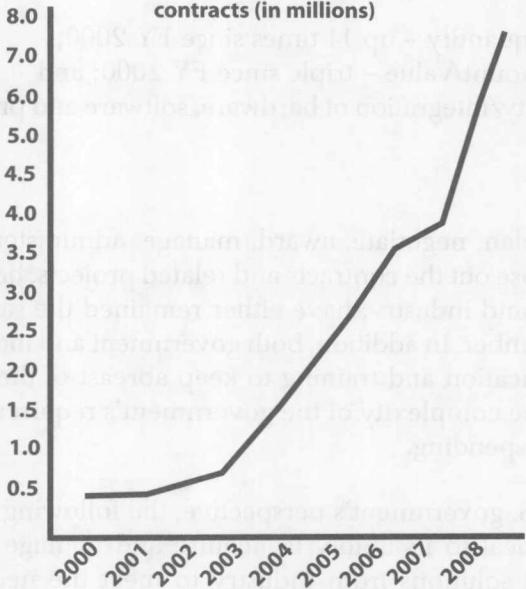
Total amount spent on federal contracts (billions of dollars)



Source: Federal Procurement Data Systems, 2008

Figure 1-2

Total number of federal contracts (in millions)



Source: Federal Procurement Data Systems, 2008

This tremendous spending growth during the Bush administration was largely the result of numerous converging factors, including

- the global war on terrorism;
- creation of the Department of Homeland Security;
- significant natural disasters;
- demographics – aging of the baby-boomers;
- rising health care costs; and
- economic recovery expenses due to recession.

Since the start of the Obama Administration, U.S. government spending has risen to even higher levels, especially in the U.S. Department of Health and Human Services, Housing and Urban Development, Treasury, Labor, Education, Energy, Transportation, and the Environmental Protection Agency, to provide for the growing demand for services, economic stimulus, and bailouts of financial institutions; Freddie Mac; Fannie Mae; automobile manufacturers; and others.

Thus, during the past decade U.S. government contracts have grown dramatically in

- number/quantity – up 14 times since FY 2000;
- dollar amount/value – triple since FY 2000; and
- complexity/integration of hardware, software and professional services.

Those who plan, negotiate, award, manage, administer, deliver/fulfill, and close out the contracts and related projects, both in U.S. government and industry, have either remained the same or decreased in number. In addition, both government and industry lack sufficient education and training to keep abreast of the dramatic increase in the complexity of the government's requirements and its increased spending.

From the U.S. government's perspective, the following job titles/roles are critical to its ability to acquire and manage products, services, and solutions from industry to meet the needs of the respective agencies (see Table 1-1).

Table 1-1**Key Government People/Roles**

- | | |
|--|---|
| <ul style="list-style-type: none"> • Program Manager • Systems Engineer • Contracting Officer • Contracting Officer's Technical Representative • Lawyer • Cost/Price Analyst | <ul style="list-style-type: none"> • Contract Specialist/Administrator • Government Property Manager • Budget/Financial Analyst • Quality Assurance Specialist • Logistics Manager • Others |
|--|---|

During the past decade many of the people who have performed these vital government acquisition functions have retired, transferred to other positions within government, moved to a position within industry, or changed career fields.

From the industry or government contractor's perspective, the following similar job titles/roles are critical to the ability to win and successfully deliver on U.S. government contracts, subcontracts, and related projects (see Table 1-2).

Table 1-2**Key Industry People/Roles**

- | | |
|---|---|
| <ul style="list-style-type: none"> • Program Manager • Systems Engineer • Contract Manager • Subcontract Manager • Bid/Proposal/Capture Manager • Cost/Price Analyst • Contract Administrator • Buyer/Purchasing Specialist | <ul style="list-style-type: none"> • Logistics/Supply Chain Manager • Lawyer • Project Control Manager • Business Development Manager • Account Manager • Accountants/Financial Manager • Property Manager • Others |
|---|---|

U.S. government agencies and industry both have heavily invested in numerous technology-based tools to improve their buying and selling, including software applications, hardware platforms, enterprise resource planning (ERP) systems, and other information technology- (IT) related systems. However, many of these IT- and ERP-related investments have never achieved the promised results. Clearly, the U.S. government's buying and industry's selling of commercially available off-the-shelf products and services was tremendously expedited by the expansion of the following:

- Internet-based business
- Electronic Data Interchange (EDI)
- Electronic Funds Transfer (EFT)
- Electronic signatures
- Electronic sales catalogs

- Federal Supply Schedules (FSS)
- Government-Wide Acquisition Contracts (GWACs)
- Blanket Purchase Agreements (BPAs)
- Indefinite Delivery Indefinite Quantity (IDIQ) contracts

While a majority of the U.S. government's contracts are firm-fixed-price (FFP) and are utilized to acquire relatively simple commercially available off-the-shelf products and services, these typically comprise less than 50 percent of the dollars spent by some government agencies. Conversely, a minority of the U.S. government contracts are cost-reimbursement or time and materials (T&M) contracts, typically used to acquire highly complex systems, integrated solutions, and a vast array of professional services. Yet these cost-reimbursement type contracts and time and materials (T&M) type contracts together often account for over 50 percent of the dollars spent by some government agencies.

What is driving the growing amount of money being spent by the U.S. government's acquiring complex systems, integrated solutions, and professional services? The answer lies in the following converging factors:

- Increased and evolving threat of global terrorism,
- Communication technologies,
- High integration cost for hardware and software,
- Increased customer demands,
- Less government personnel with needed professional services expertise,
- Less government technical expertise to develop more detailed/defined requirements,
- Increased gap between government and industry compensation for key professional services,
- Increased reliance on information technology platforms, related hardware, and software applications, and
- Other factors.

Why Does the Type of Contract Matter When It Comes to Contract Administration?

The answer is simple. When a firm-fixed-price (FFP) contract is awarded, the U.S. government has very low financial risk, because the contractor has agreed to perform the contract for a fixed amount