

Managing Your Contracts

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Abstract

Many Universities today are challenged in managing, tracking and centralizing contracts administration. After researching various contract software databases, the Contract Assistant “Contract Management Solutions” by Blueridge Software was chosen as the best solution and best value for the University. There might be other software products on the market that would meet the need; however, the greatest benefit for the software selected was the affordable cost and getting a user friendly program. We created a centralized repository with all contracts including audit trails that are stored in digital format and now have the tools to quickly access important information, generate reports, execute contracts and receive automatic reminders of critical dates all at once without having to track contract folders or deal with misfiled or missing paperwork. Below is the summary of accomplishments and improved contract management system:

Need:

- *To be able to access and interpret large amounts of contract data, high volume and low volume contracts in timely manner.*

Problem:

- *Lack of easy access to all of the TAMUCC contracts due to multiple tracking spreadsheets.*
- *Could not easily monitor contracts and/or vendor performance at an early stage to facilitate renewals or need for search to establish a new vendor/contractor relationship.*

Solution:

- *We are able to monitor vendor performance based on contract terms since they are electronically scanned (easy access). Able to identify problems at an early stage that gives us the ability to correct problems before they become significant.*
- *Cost reduction, as well as cost avoidance.*

Gains:

- *We were able to create a repository with all contracts, contract information including audit trail that is stored in digital format and have tools to quickly sort and search data on a daily basis.*
- *Improved communications with department contract administrators.*

Future Goals:

- *Continue to improve efficiency with new software.*
- *Share contracts with other universities and affiliates for possible shared services or improvements in contract terms.*

Introduction of the Organization

Texas A&M University-Corpus Christi has roots that go back more than 60 years, from the original creation in 1947 as a private university on the donated land of Ward Island. Today, Texas A&M University-Corpus Christi (TAMU-CC) is part of the Texas A&M University System (TAMUS), a network of nine universities, seven state agencies, and a comprehensive health sciences center. The University is designated as a Hispanic Serving Institution, and its location on the Gulf of Mexico and on the cultural border with Latin America shapes its focus and provides a foundation for gaining national prominence.

Texas A&M University-Corpus Christi offers Bachelor's, Master's and Doctoral degree programs to approximately 9,000 students. While the University is concentrated on the 240-acre island site, an additional 137 acres of nearby land was donated in 2008 for growth and expansion to facilitate an enrollment of 15,000 or more.

The Financial Services Division prides itself in keeping current with some of the latest initiatives in software systems that focus on creating efficiency, reducing cost, and streamlining our processes. The implementation of this software is one example of keeping current to address the growth of the University and positioning ourselves for future growth.

Statement of Problem/Initiative

Texas A&M University-Corpus Christi (TAMU-CC) has undergone some significant enrollment and personnel growth during the past 15 years. The Purchasing Department has also had a rapid increase in contracts, as well as, seeing increasing complexity in contracts. With the increase in the number of contracts, there was a

challenge to track beginning and ending dates of contracts to ensure departments were notified of upcoming end dates for action to renew, amend or approve the cancellation. The Purchasing Department originally started tracking contracts and renewals on three different excel spreadsheets. There were multiple types of information on the spreadsheets such as, department name, vendor, description, purchase order (P.O.) date, P.O. number, date of services, contract amount and dates covered in contract. The three sheets were:

- Contracts with purchase order numbers
- Non-purchase orders contract, and
- Master order contract listing.

Examples for these three types were software maintenance, food service provider contract, and elevator service contract, respectively.

In 2003, we began to experience challenges with tracking these contracts, so additional columns were added to the spreadsheet namely: “comments,” ”re-bid”, “renew,” and “cancel”. This assisted management in reviewing status of contract renewal especially at our fiscal year-end when approximately seventy-five percent came up for renewal. One of the challenges experienced with this process was trying to get expenditure funds encumbered for renewed contracts prior to the expiration date of the contracts. For contracts with new terms or inclusions, there were even more time constraints present to get all responsibilities performed before contract ending dates. There were issues such as paperwork the vendor or company would need to submit, the department’s approval, TAMU System General Counsel’s review, and execution to finalize the contract. If the contract was cancelling and a request for proposal was needed

prior to initiating a new contract or negotiations, this added even more upfront planning and processing timeframe to complete the cycle properly before the current contract cancelled. By fiscal year 2005, business contracts that covered multi-year professional services totaled over \$2.2 million and the multiple tracking systems were inadequate to provide the necessary customer service the campus needed.

In 2006, TAMU-CC was audited by A&M System Internal Audit Department on Contract and Grants Administration, and Review of Professional Service Contracts. The objective of the audit was to determine if resources were used efficiently and effectively and that contracts were in compliance with laws, policies, and regulations. The internal auditors requested information prior to their visit. The following information for professional services contracts were requested: procedure manuals, strategic plan/goals and objectives, delegation of contracting authority, staff directory with job descriptions for personnel involved with business contracts, listing (database, spreadsheets) of business contracts that were active during FY 2005 and 2006 and any information available which would be useful to assist in gaining an understanding of the environment and control activities. The final audit report concluded that the “University should consolidate its professional service contracts data into a single database, such as MS Access, or consider a software that would capture information on all contracts into a single integrated solution.” The report also stated that this would allow for better monitoring of the contracts for renewals. Using the three separate lists made it difficult and complicated to monitor contracts for renewal and perform other reviews. The University responded by purchasing and implementing a single software database in February 2007.

Design a Single Database

The challenge was to find a software system that would provide the tools for contract management and be cost effective. We did not have the time to develop a system in-house that would be cost effective. The University allocated funds in 2005, prior to the audit, for a new position of Contract Coordinator. This position was primarily to review pending contracts, make modifications deemed necessary, and submit contracts to the Director of Purchasing for approvals. The Contract Coordinator was assigned to research the market for an available software program for contract management. Several software programs with online demonstrations were researched and reviewed by the Director of Purchasing. Research revealed some software to be very expensive (starting from \$30,000), complex and not user friendly. At the time, there was no budget for software purchase but administration wanted information to decide on the most cost effective solution.

After reviewing several vendors' websites and contacting other Purchasing and Contract Departments, a software program was identified as meeting the requirements suggested by the System auditors. The vendor identified was Blueridge Software, located in California. The first step in the evaluation process was to utilize their online demonstration and their free 30-day trial offer. Various members of the Purchasing Department viewed the quick start user guides online. The demonstration gave a good understanding of the main elements of the software with easy-to-use tools to organize and input contract information. Recommendation to purchase the software was based on cost

effectiveness and the easy-to-use program. The easy-to-use program also proved to be the critical element for its successful implementation within our timeframe.

The software program offered three versions: Contract Assistant Standard Edition - the lowest cost product which is ideal for smaller organizations that have a single user; Contract Assistant PRO Edition, a mid-priced product designed for small to mid-sized organizations with a multi-user base that allows for networking and have concurrent access to the database; and Contract Assistant Enterprise Edition, the most expensive version, which is for large organizations that generate huge database with multiple users. The Purchasing Department recommended purchasing the “Contract Assistant PRO Edition”, which cost less than \$5,000. The system did not require any additional staff to implement or maintain. It also did not require a bidding process since it was under \$5,000. The University had an existing server that was used to download the software program and had the available capacity for this system to operate.

Implementation to achieve an efficient database

The implementation of the software program started with five users in the Purchasing Department. Additional user’s license added to the cost of the package. The first stage of the implementation was entering all three excel spreadsheets data into the system. This task was delegated to two purchasing staff. The goal was to have the implementation done within 3 months. The Purchasing Department was able to meet this timeline as it was provided by the System Internal Audit’s Office in management response to the audit findings. This was made possible due to the easy-to-use software, a dedicated staff, vendor’s good customer service and the teamwork of the IT professionals.

To avoid implementation delays and budget overruns, it is highly recommended to keep IT personnel involved from selection of software to implementation process. We did not purchase the training package that was priced by the hour even though it was very reasonable in cost. We trained by using the online user's guide that could be done with contacting with the vendor or coordinating with vendor availability. Later in the process, we went back and attended one Webinar training session. It was time intensive to enter all the vendors' names and their current addresses when the system was first loaded with all the contract information, but once the first year cycled through, we had most vendors' names already in the system. Another recommendation is to create a standard operating procedure (SOP) and have monthly meetings with staff to review and revise the procedures until fully functioning. This will help with consistency in database search and document tracking. We did cross reference the old excel spreadsheet to the new system to ensure we had all contracts loaded.

After a year of using the system, we upgraded to the "Contract Assistant Enterprise Edition". This more advanced system had many features, including e-mail notifications that automatically go out with dates we select and a custom message we create. The goal is to have departments initiate an action or steps well before the contract terminates. It is important to set up e-mail notifications once a month instead of daily or weekly; otherwise departments might start ignoring e-mail messages and stop responding to them. Also, the message must be clear; otherwise it will not be effective or initiate any action from the department. The upgrade has more customized fields and reports. It also supports a very large database, allowing growth in contracts as needed. The report and search section capabilities are vast; they range from vendor search, department, category,

alarms on past due date, and other key elements. The upgrade allowed the purchasing staff to go back and enter each cost for the contracts in a section that allows generating reports for total cost of all contracts. With this custom reporting feature, you can create a report with any of the fields in the database - a powerful tool!

Benefits derived from the database

Benefits are centralized database, alarms for monitoring, search abilities, notification, sharing the database across campus, and better customer service. Each area is described more fully in this section.

The benefits derived from the database are having the capability of setting alarms before the expiration date of a contract “review date”. This feature turns a vendor’s name red when the alarms goes off to alert the purchasing department to verify if a department is processing a new requisition or reviewing an existing contract for renewal. The alarm can be set up to go off in any number of months or in as little as a week before the end of a contract date depending on the complexity involved in renewing or awarding a new contract. At the same time, an e-mail notification can be sent out to a department with a message on a selected “review date box”.

The master database list can be searched either alphabetically, contract status, or by contract status within a category. A quick listing of the main window on the module screens include an index of all contracts, company information and contact, beginning and ending dates for each contract, review date designation with setting alarms, categories assigned to the contract, and key elements/clauses to the contract. There is another section of tab that includes information for; overview description of contract, notes and comments on contract. Additional benefit is the ability to attached documents

and images associated with contract. We have been imaging contracts for some time, but now with a search feature, you have additional flexibility in viewing documents.

Another benefit of the system is the ability to give certain access of the database to departments for view only or to enter data (For example, Library and Information Technology Department). Currently, our IT Department has access to enter notes and comments and approve software license prior to Purchasing Department creating and signing the contract. Within the central database, folders can be created by various names such as: active purchase orders, pending purchase orders, expired purchase orders, non-purchase orders and contracts by buyers. The following options are also available in the sorting column: alphabetically, contract status or contract status and category. With the upgrade, the buyers can now enter information for contracts that are associated with purchase orders being issued along with e-mail notifications. It takes more time for the buyers to process purchase orders but the benefit is to get the contract into the database quickly for monitoring.

The benefits we have gained outweigh the cost of this system. Personnel time is saved in searching for a contract, missing deadlines are now minimized and customer service to our campus and vendors is improved as a result. The University has the ability now to review contracts well in advance and fully research the renegotiation points; cancel a contract in the required timeframe without penalty charges or increased escalation costs; monitor complete contract status in a centralized database; more communications with departments on their contract terms, and eliminate the time consuming manual process of monitoring contracts.

The University had a follow up audit in June 2008. The auditors reported compliance and approval of the new software system as fulfillment of audit recommendations. The difference between the first audit and the follow-up audit was a significant improvement in response time. There was the quicker response time to provide the auditors with their request for contract information, and we were able to generate custom reports for them.

Retrospect

In retrospect, we should have purchased the advance product due to the total tools offered in this system, which is the most advantageous for a full contract cycle. We have to continue to find ways to keep the email content information current and sent to correct employee within the department; otherwise, it might delay the response time due to forwarding e-mail to another employee. We will investigate the best solution for this and possibly set it up for a departmental group. Universities considering purchasing this or other software should consider including webinar training sessions. Even though the on-line user guide was easy to follow, the learning curve will be faster along with being able to ask questions and these sessions can accommodate multiple users. User license funding should be requested for all employees in the department that will be involved in the process at the beginning of the implementation. We can also continue to work on a contract management system that is shared with our other campuses to provide a centralized contract database system that will search for business contracts, achieve better pricing, achieve better contract terms, and benefit from other available services.

