



CASE STUDY
Lump Sum Project





DO YOU USE LUMP SUM BECAUSE IT'S EASY?



Deep Dive Into a Lump Sum Project Reveals \$8 Million in Overspending

A client asked MCI to analyze their processes around contractor material spending, lump sum charges, and 3rd party supplier invoices. The client noticed that the actual charges for their lump sum projects were much higher than the planned charges which led them to question if noncontractual items were being submitted. We were able to identify the root cause of the leakage as well as implement standards to eliminate potential value leakage from occurring in the future. We analyzed \$140 million in contractor spend that took place in an 8-month period resulting in \$8 million of overages. We identified \$3 million in actual savings and \$5 million in process improvement savings. The findings were attributed to items that were non-compliant with the contract including:

- Submitting one-page Lump Sum invoices with no backup documentation or defined cost
- Vendors not allocating labor hours for Lump Sum projects
- Duplicate invoices
- Double billing to Lump Sum and Time & Materials
- Submitting non-contractual items

New Process for Tighter Controls

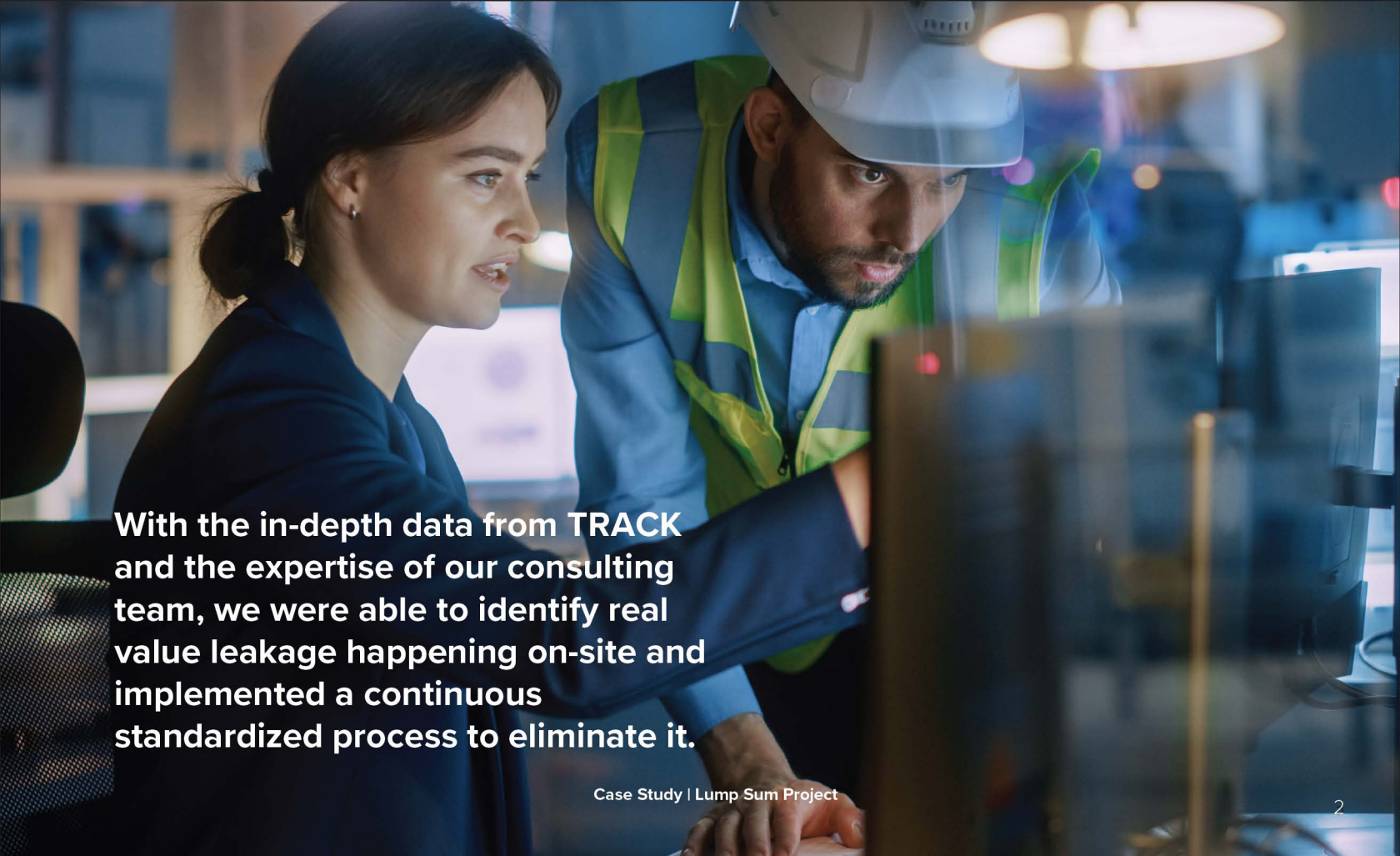
We put into place new standards focused on documentation for lump sum jobs and invoicing 3rd Party Suppliers. These standards are based on the contract terms & conditions and created more structure by defining in detail exactly what charges are compliant and what charges are not. This removed any potential gray area and put our client and their suppliers on the same page. The standards are repeatable and enable our clients to ensure charges are contractually compliant and eliminate value leakage.

Continuous Value

Our continuous monitoring service is highlighting leakage for clients to minimize cost overruns proactively. With this service, our Insights team tracks adherence to the new standards and immediately highlights leakage to our clients. We can ensure behaviors such as:

- Invoices being submitted with the proper backup documentation
- Labor hours being allocated to one Lump Sum PO instead of multiple POs
- Printing the PO number on an invoice to make sure that an invoice is not charged to multiple POs

There is now granular visibility between Lump Sum charges and Time & Materials charges, and there are defined rules for invoices from 3rd Party Suppliers. All payment terms & conditions within the contract have their own specific set of standards in place to ensure charges remain compliant. This ongoing service provides a standard process to continuously identify and eliminate value leakage for our clients.



With the in-depth data from TRACK and the expertise of our consulting team, we were able to identify real value leakage happening on-site and implemented a continuous standardized process to eliminate it.

Management Controls, Inc. (MCI) helps companies obtain better visibility, control and productivity from their contract workforce. MCI's TRACK Platform provides automated contract compliance as well as a holistic view across the entire labor, equipment and materials spend. TRACK's real-time data stream can be proactively applied to optimize performance and safety for routine maintenance, turnarounds, capital projects and operations.

With the powerful addition of MCI's customized analytics service, Insights, and its managed service offering, TRACK-as-a-Service (TaaS), companies can leverage MCI's 29 years of experience to get even more out of TRACK, as well as identify opportunities to improve site productivity overall.



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