



CONTRACTOR MANAGEMENT Services



Change the Way You Manage Your Contractor Services
and Transform Your Audit Findings ... so there isn't one.



TRANSFORM YOUR AUDIT FINDINGS

Contractor Management in the Field

Audits may not be popular but they are important. Audits can ensure organizations behave ethically and responsibly to meet commitments to stakeholders and deliver value to customers. Audits are worthwhile for gauging compliance not only with external regulations but for internal policies, such as financial controls, as well.

However, they also often evoke fear and apprehension in those being audited and can be resource drains. Not only that they take time and effort to prepare for, and respond to – and after all this, the last thing you want is a bad audit report. Management Controls (MCI) can help you prevent unsatisfactory audit findings in your contracted services management processes.

No matter your thoughts about them, audits are likely here to stay. Senior management relies on them to provide a window into employees' actions enterprise wide. But for those being audited; preparing for, participating in and responding to findings can consume the time and energy of a manager's most talented people.

Satisfactory audit results are reassuring and confidence building. Less than satisfactory findings create doubts about organizational and personal integrity and capabilities. Exposing non-compliance with policies and procedures can at a minimum bruise egos and can even be career limiting.

What if you could control your own destiny and accurately predict audit results? For over 28 years, MCI and their Track® Platform have helped over 250 sites globally do just that. These companies know their vendor payments are accurate, their contractor costs are under control, and they are in full compliance with applicable financial controls, every day. Track customers have realized measurable results in the form of cost savings and fewer or no unsatisfactory audit findings. And, we've yet to mention less paperwork and fewer resources needed to support the overall audit process.

Error Proofing

Financial controls are fundamental to most companies' risk management program. When companies are dependent on external providers for goods and services required for daily operations, it is essential that financial controls are designed and policies implemented. With the right financial controls and a disciplined adherence to processes, vendor invoices will reflect what the vendor earned.

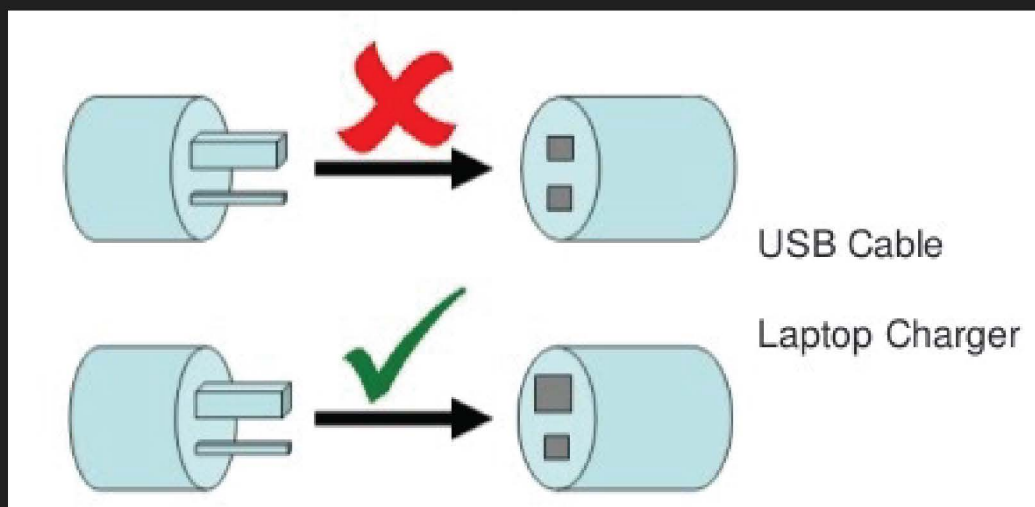
Within audits, a common financial control finding is failure to follow contractor time keeping processes. Example findings are:

- Invoiced work hours exceeded approved hours in the contractor time system (CTS)
- No work hours in the CTS to validate invoice
- CTS work hours approved after invoice already paid

Companies using MCI's Track® Platform have eliminated audit findings like those above. To prevent discrepancies between invoiced hours and CTS hours, Track users are effectively employing poka-yoke. Poka-yoke is a funny sounding Japanese term common in lean manufacturing circles and defined as the use of any automatic device or method that either makes it impossible for an error to occur or makes the error immediately obvious once it has occurred

Whether or not Track® users recognize they are using poka-yoke, they have nonetheless error proofed the process for validating contractor work hours. Track data is a true accounting of the hours a contractor spends at the work location as provided directly from a company's access control system (ACS). The vendor and company have agreed to use badge-in / badge-out events as the single method for measurement of time on-site.

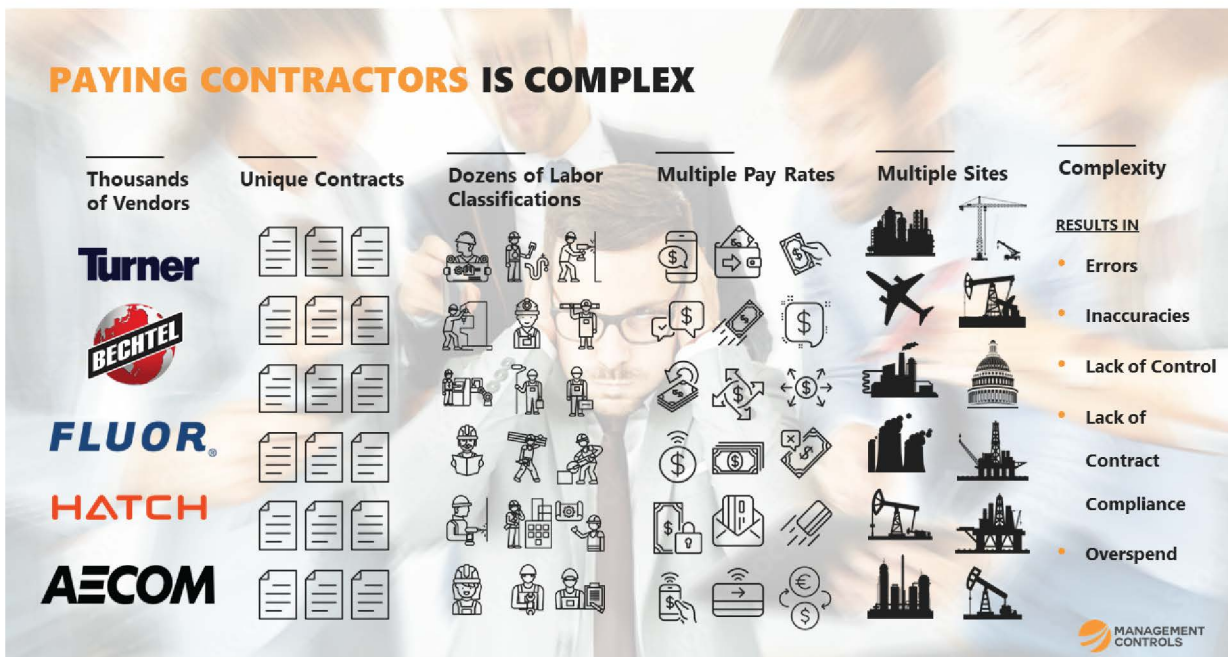
Contractors and owners no longer have to estimate time and manually prepare time sheets. Companies no longer need to enter time data into a separate CTS. Instead there is a single view of vendor hours in Track. This single view not only eliminates time-intensive, error prone manual time keeping, but also effectively eliminates invoice time discrepancies. Owners and contractors have the same view of contract labor and equipment time daily and sometimes even on a shift-by-shift basis.



Poka-Yoke is a mechanism that prevents operators from making accidental connections.

Contract Visibility & Consistent Application

Another common audit finding is discovering that invoices are routinely paid even though they do not comply with contract Rates, Terms and Conditions. Applying the correct, contractually allowed multipliers to hours worked sounds straightforward. The challenge is that each invoice likely contains dozens of labor classifications, shift schedules and pay rates.



Complexity is a big contributor to audit findings for inaccurate vendor payments.

Knowing and consistently applying all of these variables is complex. Yet for many companies, vendor billing and company invoice approval processes are manual. First, the contractor’s billing department is expected to apply all of the Rates, Terms and Conditions correctly as the invoice is prepared. Then the company’s approver needs to evaluate the invoice for accuracy keeping all of those same conditions in mind.

Using this traditional, manual approach, the vendor may not present an invoice to the company for days or more often weeks. By then, the company is effectively approving payments for goods and services in the dark – as approvers cannot remember details from days or weeks in the past. Consider that some companies report approving a million or more invoices every year and ensuring invoicing accuracy becomes almost humanly impossible. It is no surprise that lack of compliance with financial controls is often a repeat audit finding.

Consistent Payment of Accurate Invoices

MCI's decades of experience indicate that companies save 10% to 15% of contracted services costs when they consistently pay vendors according to the Terms and Conditions in their contract. For companies that rely on hundreds or thousands of contract employees every day, the savings can add up to millions of dollars, annually.

For Track® users, the secret to capturing these cost savings and maintaining compliance with financial controls processes is to automate the application of contract Rates, Terms and Conditions to work hours. This automation reduces the probability, perhaps to zero, of human errors such as:

- Data entry
- Allowing charges for hours or partial hours spent on activities not contractually billable
- Failing to apply the lowest rate for equipment – daily, weekly or monthly
- Double billing for the same worker or piece of equipment

The Track® Platform fully integrates with a company's ERP system and imports vendor contract Rates, Terms and Conditions. This data is used to create pay formulas unique for each vendor. Billable time is calculated by automatically applying pay formulas with correct terms and conditions to ACS data. Then the total invoice amount is calculated by applying a pay formula with correct labor and equipment rates to those hours. Invoices are more accurate for two reasons. Rates, Terms and Conditions are correctly and consistently applied and company approvers receive invoices sooner, closer to the actual delivery of goods and services. Some companies using Track® receive invoices within 1-2 days versus the 1-2 weeks or more using the traditional heavily manual process.

Conclusion

Today's modern workforce may contain more contract workers than company employees. The value of consistently paying contractors accurately can be worth millions of dollars every year and contribute significantly to improved operational efficiency. To develop the capability to consistently deliver accurate payments is difficult or impossible if the payment process is a heavily human dependent process. Humans cannot effectively measure time on work site for hundreds or thousands of individual contractors nor can they remember and apply all of the contract Rates, Terms and Conditions to hundreds or thousands of invoices, consistently.

MCI has a proven, decades long track record of integrating with companies' existing ACS and ERP systems to automate dependable, consistent, processes for ensuring that vendors are paid exactly what they have earned, in a timely manner. Gain back control of your contracted services management with better cost control, visibility and better audit outcomes.



MANAGE TRACK OPTIMIZE

POWERED BY

