



THE TRACK ADVANTAGE
in Effective Contractor Management





More than **300 world-class manufacturing facilities**,
managing **\$60+ billion annually**.

The Effects of Outsourcing

Have you've heard the story about the town with a clock tower that rang each day exactly at noon? The man in charge of the tower called City Hall each morning to confirm the exact time before adjusting the clock. Everyone in town knew that when the tower clock rang, it was precisely noon. One day, after many years on the job, the bell tower guy asked the City Hall clerk how he always knew the exact time. "That's easy," the City Hall clerk replied, "I rely on the clock tower."

Managing service-based contracts is strikingly similar. The most sophisticated companies have few checks and balances in place to ensure financial accuracy of service invoices. Typically, companies send their Purchase Orders and Work Orders to the contractor. The contractor performs the work, keeps track of labor hours, equipment and materials used, and submits an invoice. The contractor is both the bell tower and City Hall. Time sheets and invoices contain errors. In fact, it's not unusual for those errors to approach 10 percent of the invoice.

In the past 30 years, demand for skilled mechanical service workers has more than tripled, while resources to manage this growing workforce – first-line supervisors -- have declined. Time-keeping and invoicing are still performed manually, resulting in costly inefficiencies. Downsizing and layoffs continue to compound the problem. The error rate doesn't budge as the volume of contract services continues to rise. The result? Hundreds of millions of dollars in time and invoice errors. Here's an example from a refinery audit during a recent turnaround. As you can see, an audit revealed a 10 percent error in reported hours, leading to a 14 percent error in dollars paid to service companies.



A GLOBAL ENERGY LEADER

	Hours			Dollars		
	Reported	Audited	Delta	Paid	Audited	Delta
Vendor 1	4,609	3,859	750	\$117,542	\$992,892	\$17,650
Vendor 2	16,976	15,996	960	\$702,228	\$533,530	\$166,698
Vendor 3	4,473	2,640	1,833	\$135,538	\$62,924	\$72,614
Vendor 4	4,625	4,995	-370	\$130,713	\$126,498	\$4,215
Vendor 5	97,191	87,136	10,056	\$3,543,831	\$3,158,662	\$385,169
TOTAL	127,874	114,626	13,248	\$4,629,852	\$3,981,505	\$648,347
			10%			14%

How does this problem persist, especially in today's automated age? The answer is simple, the solution is not. There is no easy way for contractors or owners to find the errors.

ERP systems can automate much of the payment process, but they can't validate the accuracy of the invoiced hours. Instead, payment authorization is granted by the field supervisor, who often is the first and only line of defense against timesheet and invoice errors.

Here's the rub – the supervisor has no way of knowing if the hours on the timesheet are right. Assumptions are made by everyone involved. For example – who can remember if the person who clocked out four hours early six days ago was really sent on an errand or just left early?

Each 15 minutes is 3 percent of the workday. Multiply that by \$50 million and you have \$1.5 million in payment errors due to what could be called 'fuzzy time.'

To achieve financial accuracy, all the players in this game must talk to one another. More often than not, the players exist in separate silos, under different department managers. For example, timesheets are the responsibility of the contractor foremen and timekeepers; gate logs are kept by security; individual schedules are managed by the contractor; contract terms and conditions are in a file drawer in Purchasing; and work orders and purchase orders are in a project management system. As you know, there's little conversation among them.

Of course, it is possible to manually spot-check gate logs and compare them to timesheets -- or write a program to do so. Various time and attendance programs often perform some combination of these activities. Unfortunately, neither gate logs nor timesheets reliably account for the contractor who shows up early for coffee or spends extra time getting to the work site from the front gate. They don't take into account the contract worker who badges in and "works" even though no work order scheduled for that day requires him. The only way to catch these errors is to perform a multi-way comparison between:

- The perimeter security system's badge record of time in and out
- The contractor's dispatch log or shift assignment for each craftsmen
- Contract terms and conditions regarding early arrivals and early or late departures
- Cumulative time-on-site for the work week -- used to calculate straight and premium times

Determining accurate work hours is only half the solution. It's impossible for the first line (foremen, supervisors and contract administrators) to know the terms and conditions of hundreds of contracts. Yet, it is critical to have a clear understanding of the subtle complexities of every contract if you want to determine -- for example -- when overtime is paid.

Contracts are generally complex and packed with vague legalese, incomprehensible terms and conditions and incomplete rate structures. These lead inexorably to errors in time reporting and invoicing. But, while they can be complicated, contracts can't be ignored.

For example, a contract states "overtime is paid after 40 hours of work a week, regardless of where those hours were worked." So, if a worker put in 39 hours at Client 1 the first four days of the week, and 8 on Friday at Client 2, the time sheet for client 2 probably calls for 1 straight and 7 overtime hours! While this would be nearly impossible to validate, it serves as a convincing example of how important contract terms and conditions are to the accuracy of expenditures.

The trick to achieving financial accuracy on invoices is:

- Knowing when someone is scheduled to be on-site
- Verifying that information against when they were actually on-site
- Ensuring clear delineation between Time & Materials and Lump Sum contracts
- Validating the net result against the terms and conditions of contracts

The solution to achieving this accuracy is to create a process that prevents errors up-front. At best, most homegrown processes only address part of the problem. At worst, they simply automate faster pay of inaccurate invoices. For example, linking the gate access system to a time and attendance system is a step in the right direction, but time on-site is absolutely not the same as billable time – and cannot address the straight time/premium time split.

Only a process that compares time sheets against gate access data, verifies them against contractor schedules and then validates the net time against contract terms and conditions can achieve near-perfect accuracy. Sound like science fiction? In fact, this process has been created, tested and implemented in process plants throughout North America. It is Track™ software.

Track's goal is to automate the entire contractor management process from time capture through invoicing. By eliminating manual paper processes, Track reduces errors, speeds job cost information and drives achievement of on-time, on-budget performance objectives. Once Track has been deployed at a work site, it accurately monitors who is supposed to be on-site, who actually is on-site, and how many of their on-site hours are billable.

Track enables clients and contractors to focus on what they do best – planning, scheduling and completing project work – while Track validates, calculates and reports the hours, progress and cost of that work. By delivering real-time activity, resource and cost information, Track helps clients and contractors prevent issues that delay completion. Track's accurate reporting supports timely project completion, increased productivity and impressive financial returns.



Track's certified interfaces to leading ERP and CMMS systems guarantee data consistency and end-to-end integration. Track is routinely updated with new POs, WOs and WBS elements, as they are released. ERP and CMMS systems are automatically updated with contractually compliant hours and costs. As a result, project teams are never in the dark about activities in the field.

Track's stringent application of contract terms and conditions ensures:

- Real-time, accurate project cost information
- Process automation leading to standardization
- Error-free timesheets and invoices
- The ability to drive projects forward – looking through the windshield, not the rearview mirror.

There's a saying in our business -- "the juice is worth the squeeze." We know that your investment in Track software will generate significant financial rewards. In fact, one contractor using Track reduced \$16 million in accounts receivable to \$10,000 more quickly than he expected. A major refiner, at one of its larger refineries, was able to reduce contractor timekeeper headcount from 13 to 3 after implementing a more reliable and automated process.

To date, Track is installed in more than 300 world-class manufacturing facilities, managing \$60+ billion annually. On average, these Track customers reduce costs by 5 to 10 percent and achieve investment payback within three months of deployment. Track is definitely worth your investment!

Industrial Sites using
TRACK Platform



300+



Annual Contractor
Spend Processed



\$60 BILLION+



Daily Activity & Earnings
of Contract Laborers
Monitored



4 MILLION+



Retention Rate Since
Launch (30 years ago)



99.8%



MANAGE TRACK OPTIMIZE

POWERED BY

