

HOW TO CONSTRUCT A

Contract Compliance Matrix

A solid matrix goes a long way, identifying gaps or errors in the contract document, providing a baseline for measuring performance as it progresses, and serving as a clear roadmap during the close-out phase.

BY TOM REID

A contract compliance matrix, which provides a simplified overview of every contract requirement, is a tool developed by the contract administrator. While a variety of formats and headers can be used, typically matrices fall into three broad categories.

The first category is simple—it identifies the clause titles and provides a brief synopsis of the contents.

The second category provides some-

what more detail, breaking down the clause listing into finer granularity (for example, specifying the contents of section 6.B [7][ii]), by adding more headings—such as whether a deliverable is required under the clause and if so, who is responsible—or by doing some of both.

The third category and most complex compliance matrices evolve into full-blown contracts and program management plans. Usually created only in electronic format, these matrices use a large number of headings, including due dates, reference documents, points-of-contact, responsibilities, authorities, and correspondence control references. The contract clauses are listed in detail, and the entire statement of work, as well as all referenced documents, are included. In Web-based environments, each of

these entries can be hot-linked to source documents.

Contract compliance matrices are dynamic. They reflect the status of a contract only at a single point in time. Each modification to the contract requires modification to the matrix. Each event in a program plan, such as the completion of a deliverable, must be noted under the appropriate heading. The more complex the matrix, the more maintenance it will require. Thus, every compliance matrix task must be scaled to the user's needs. There is not a one-size-fits-all mentality to this process. Only headings that are helpful to the end-user should be applied—no more and no less. While it saves time and expense to plan the headings out in advance, modern word processing tools allow you to add rows and columns in such a table with relative ease.

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The "Real-World" Context

A contract compliance matrix serves many practical purposes. It might be used only by the contracts department as a tool to understand the contract, track events in the contract, or train new contract administrators. As a stand-alone, the matrix can be a useful resource to help explain contract sections or components to management or to a customer. It can also be valuable at contract close-out time, as a checklist and tracking tool.

More often, however, the creation of a contract compliance matrix is the first step toward a contract management plan. Using the matrix to establish the various contract requirements allows you to offer input to the program manager on those portions of his responsibilities that must be fulfilled under the contract. This presents the baseline for discussions on who specifically will track the fulfillment of those requirements. Once those issues are settled, you can develop a complete contract management plan for inclusion in the master program

management plan. From these documents the customer will generally develop a contractor surveillance plan, specifying details on contract oversight and performance measurement. It all starts here.

Ideally, the contract compliance activity starts when the request for proposal (RFP) is received, and a requirements traceability matrix (RTM) is developed to ensure that all RFP requirements are being addressed. While there are significant similarities between a RTM and a contract compliance matrix, they are fundamentally different. The RTM is set against a relatively fixed document with a very limited life span. "Performance" under the proposal is straightforward—respond to the RFP.

The contract compliance matrix will most likely become far more dynamic, and the amount of information necessary to be a fully functional tool for contract management can far exceed the data necessary in an RTM. Still, a quality RTM is an excellent starting point to create a contract

compliance matrix. Most commonly, however, no RTM exists, and the contract compliance matrix must be created from "whole cloth," so to speak.

The Process

The starting point is always the contract. The contract must be gathered in a single location and read from beginning to end. Every modification should be gathered into the contract file as well. This same approach applies to both the hard- and soft-copy contract formats. It will often be necessary to gather the reference documents into the same file location. Only with a fundamental grasp of the nature and complexity of the entire contract can you begin to develop a matrix.

The next step is to determine your audience and what data each stakeholder needs. Compliance matrices can serve a multitude of purposes. That is why there is considerable choice in what headings you use. In an ideal setting, you would create the matrix using all possible headings in a searchable database format. Then,



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Ten Steps to Create a Contract Compliance Matrix

- (1) Read the contract.
- (2) Determine the audience to establish the appropriate headings and format.
- (3) Determine the correct level of detail.
- (4) Enter the data.
- (5) Capture data for variable headers and flow-down requirements.
- (6) Review contract modifications.
- (7) Add disclaimers.
- (8) Proofread, proofread, proofread.
- (9) Distribute for comment before going "final."
- (10) Keep the matrix current.

you would selectively print versions containing only the headings necessary for a particular application. For example, a matrix might be useful for tracking the funding modifications. But, there could also be reasons why you would not want the funding information to be widely disseminated. While the data could reside in the matrix, you would only print that column of data on those versions being distributed to those who need to know this kind of information.

Next, you will want to establish the matrix headings. Detailed interviews should be held with the client to understand their needs and their interests. If they have never used a matrix and found what a functional tool it can be, you may have to share some examples. Do not undersell the need for continued maintenance, but do not oversell the need for complexity in a simple contract. The scope must be sized to your user's specific needs. At this stage, the more important aspect is to make

sure that a matrix—of any sort—is developed. If the client is only comfortable with a simple matrix, prepare that. As noted earlier, columns and rows can be added later.

Headers come in two basic flavors. "Fixed headers" are those that will appear in all matrices. Typically, those will be the headings such as "clause number," "clause name," and "contents" or "description." These headers are applicable to the simplest of matrices.

For more complex versions, any number of "variable headers" can be used. These come in as many variations as you and your client can imagine. Popular additional headers include:

- (1) Deliverables;
- (2) Responsible organization/person;
- (3) Referenced documents;
- (4) Documents incorporated by reference;
- (5) Customer point-of-contact;
- (6) Due date;
- (7) Reporting date;
- (8) Actual delivery date;
- (9) Applicability timeframe;
- (10) Correspondence control reference number;
- (11) Links to other databases; and
- (12) Required format for each deliverable.

Next, format the document in whatever software you are using. While the temptation is to use a spreadsheet, experience has shown that using tables in a word processing program works best. For one thing, you will have a lot of words, and most spreadsheet programs do not do spell-check automatically. Also, tables usually provide you with greater flexibility in more readable cell sizes and formatted

page breaks. This is not an area in which to be dogmatic, however—stay in the familiar, comfortable format-zone that works best for you.

Divide sections of the contract in the matrix with some identifiable, visual break. A shaded block works well. Set up each section of the contract under a separate heading. Make the final document, whether printed or on-screen, as user-friendly as possible.

Your next step is to determine the correct level of detail for each entry in the table. For a simple matrix, you will probably only want to include the prime contract document, and for the specifications you might only say, "Identifies the work requirements under the contract."

For more complex matrices and specific user-tailored needs, it may be appropriate to break out each section of the statement of work. Most contracts will incorporate other documents by reference that will be applicable to the contract in one way or another. For completeness, some or all of these may need to be fully analyzed and the requirements contained in them spelled out in the matrix. The key is to make sure you have tailored the complexity of the matrix to the needs of the user. If you make the matrix too simple or too complex, the document will be useless.

The Program

Now, it is time to enter the data. In a worst-case scenario, you may have to type it all in longhand. If so, be sure to have a separate set of eyes proofread your data entry. If you have access to a soft copy of the contract, you will be able to cut and paste the sections where they belong.

Be careful—a matrix is useless if all it does is take the entire contents of a contract and format it in columns. The "contents" or "description" section needs to be a readable synopsis of the contract, not all of the legalese. Remember: Your user is most likely a business executive or a program manager. They expect you to know what the contract says in detail. All they need is a brief description to understand the thrust of a clause. Even for

Sample Compliance Matrix (Simple) Format		
Clause #	Title	Description
SECTION A: SF1449		
None	Solicitation, Offer, and Award	Standard form used to award a contract.
SECTION B: SUPPLIES OR SERVICES AND PRICES/COSTS		
B.1	Services Being Acquired	Provides the basic nature of the services to be provided and requires [state the general nature of the work to be performed].
B.2	Estimated Cost and Fee	States that the estimated cost under this contract is \$_____, and the potential fee is \$_____.
B.3	Availability of Appropriated Funds	Provides that there are no funds available for this procurement and states that the government will notify party when there are. It also cautions against beginning work before funds are available. Any action on the part of the contractor may not be reimbursed.
B.4	Obligation of Funds	Sets forth the amount of funds obligated under the contract as modified from time to time.
SECTION C: DESCRIPTION / SPECIFICATION / WORK STATEMENT		
C.1	General Information	Sets forth the basic requirements under the contract.
C.2	Statement of Work	Sets forth specific requirements. See program plan for details available from the program manager.
C.3	Deliverables	Specifies deliverables the customer is expecting to see and due dates for each. Refer to program plan.
SECTION D: PACKAGING AND MARKING		
D.1	Packaging and Marking	Requires use of standard commercial practices in packing and marking shipments. It includes an additional requirement to specify the contract number and COR in all addresses.
SECTION E: INSPECTION AND ACCEPTANCE		
E.1	Inspection Of Services— Cost Reimbursement (FAR 52.246-5) (APR 1984)	Standard FAR clause—establishes the government's right to inspect all services called for by the contract at all places and times.
E.2	Acceptance	Acceptance of all work is by the contracting officer or duly authorized representative.
SECTION F: DELIVERIES OR PERFORMANCE		
F.1	Term of Contract	Establishes the contract term of one year with two options.
F.2	Option to Extend the Term of the Contract	Allows the government to extend the term of the contract with 30-days notice, as long as intent was communicated at least three months before expiration.
F.3	Stop-Work Order FAR 52.242-15 (AUG 1989) Alternate I (APR 1984)	Standard FAR clause—establishes the government's right to issue a written order for the contractor to stop all or any part of the work under the contract. The contracting officer shall make an equitable adjustment (e.g., delivery schedule, estimated cost, fee, etc.) as appropriate.

Table 1. Compliance Matrix for Contract No. 123-4546-789 ABC, Inc., for U.S. Government

your own use, the brief description should allow you to peruse the matrix and quickly hone in on a particular section. Too many words, especially used verbatim, and you have defeated the purpose of the matrix.

As you enter this data, it may be the right time to capture the information for the variable headers. This will depend on what information you have available and what responsibility assignments have already been made. If necessary, begin sharing drafts of several pages of the matrix with the client and determining the various responsibilities. If due dates are part of the variable headings, make the data in the cell useful. While “30 days ADC” may make perfect sense to us, go ahead and calculate the date, so it says, specifically, “Due on June 10, 2004.”

In all cases, you should capture the flow-down requirements. One effective way to note them is to use the highlighting function available in most word processing programs. Alternatively, you can highlight the requirement by using a different color text. Make it easy for the procurement folks to comply with the contract.

Be certain to review each of the contract modifications. If there are not very many of them, do the entire contract and then add in the modifications. If the modifications are extensive, it might be useful to create a conformed version of the contract before starting. Otherwise, you will be entering a great deal of data at the beginning that will later be replaced. Be extremely careful about when contract provisions are applicable. Even if a contract clause has been replaced or removed, it is possible that at some point in performance that language was controlling. For this reason, it is sometimes practical to add a heading, indicating the period of applicability for certain clauses.

In larger cost-type contracts, you will have a considerable number of funding modifications. If that is truly all that appears, there is generally no useful purpose in trying to capture them in a matrix. Finance should have their own mechanism for identi-

fying the funds on the contract, the billing schedule, and the payment schedule. In simpler contracts, however, especially in smaller companies, including this data in the matrix may be valuable and may, in fact, be the only location for such information.

Make sure you add appropriate disclaimers. Most businesses will want to keep compliance matrix data confidential. This is particularly true with certain headings of information. Whether a deliverable has been met on time is not necessarily public information. Highlighting the fact that there are deliverables required under your contract that have never been delivered is also a sensitive subject. Consequently, your legal and general management departments will have an opinion on what data gets released. Use the appropriate legend that your company prescribes.

Additionally, always include a disclaimer. Here is an example of language to use:

This document is a working tool for use in managing the subject contract. While believed accurate, only the contract document contains the full and complete agreement between the parties. While this matrix may provide general guidance, it should not be relied on for detailed interpretations of the contract language or the rights or responsibilities of either (or any) party. When in doubt, read the contract. For additional guidance, please contact the contracts department (or legal, or both).

Each page of the matrix should then contain a reminder in the footer, such as, “This document is subject to the limitations contained on the cover. This is a synopsis. Rely only on the official contract document for complete accuracy.” You should also be sure to include whatever proprietary marking your management has requested, as discussed previously.

Reality Check: Proofread

Get several sets of eyes on the matrix. Find a detail-oriented copy editor. Do whatever it takes to make sure that the matrix is validated against

the contract. While considerable judgment will be applied in synopsisizing the contents of clauses, always keep in mind that the goal of the matrix is to be a useful tool in contract management. Too much or too little information will not do—find the happy medium.

Distribute a draft for comment. Depending on your organization, that may include a large staff of 30 or one or two key people. Ask them what they find helpful and what else they would like to see. Emphasize that it is a living document and designed to be an effective tool. You may be the only person in your entire organization that has ever read the entire contract. (Let’s say that if there is only one person in your organization who has done so, it had *better* be you!) But every manager and every person responsible for a deliverable, however, needs to know what is required. It is your job to translate.

Finally, make certain that the matrix is kept current. While this takes some attention, an outdated matrix is useless and wastes the time invested in creating it. Once you have one developed, be faithful in maintaining it. For a good example, see the chart on page 43.

Using the “Sight”

A solid matrix goes a long way toward identifying gaps or errors in the contract document, providing a baseline for measuring performance as it progresses, and serving as a clear roadmap during the close-out phase. A well-prepared contract compliance matrix is an incredibly useful tool for contract administrators.

Once you are accustomed to a matrix, you will wonder how you ever managed without one. The simple exercise of preparing a matrix will familiarize you with the contract like no other exercise. And, when you can go back to your customer with helpful information about gaps in the contract or can remind a manager of a due date before it is past, you will become the hero in their eyes that the rest of us already know that you are! **CM**