**Topics in Federal Contract Management Series**

# Paperless Contracting
Leaders are already reaping the benefits, and improving interfaces with Program Managers and Contractors.

## Full Report

1. Regulatory mandates and Acquisition leaders have driven substantial progress toward Paperless Contracting.

2. The benefits of Paperless Contracting include lower prices, and greater productivity, compliance, and knowledge retention.

3. Leaders have overcome the common challenges of Paperless Contracting and established best practices.

4. Acquisition executives feel pulled (or pushed) to achieve four tiers of infrastructure maturity.

## Executive Summary

Based on our interviews, Paperless Contracting is best defined as the process of acquiring products and administering grants using modern information technology, and paper only by exception.

More than a decade ago, regulators mandated that agencies use information technology wherever practicable for contract writing, with substantial focus on interactions with Contractors. Today, almost all cabinet level agencies already use contract writing software solutions proven to be effective – and leaders use interactive Contractor portals.

The benefits to early adopters and fast-followers of using software solutions to support high-volume, rules-based tasks involving multiple stakeholders are well documented. So, those Acquisition leaders who are a bit behind can be confident that following the leaders will drive better deals, productivity increases, and compliance - and retain tacit knowledge. There are common challenges (e.g., reluctance to change, security concerns), but best practices address them and continue to strengthen.

Meanwhile, leading Acquisition executives are reaching for the next level of productivity and effectiveness. They are aware of the progress their Program-Office partners and Contractors have made on the IT front, as well as outstanding questions about integrating workflow.

During 2015, Compusearch will continue interviewing dozens of Program Managers, Acquisition Executives, and GovCon Contracts professionals to aggregate their answers to pressing strategic questions about Paperless Contracting. All those who participate in interviews will receive a copy of the final report summarizing our findings, as well as a complimentary invitation to participate in the Paperless-Contracting Leaders Conference during December 2015.

## 1. Regulatory mandates and Acquisition leaders have driven substantial progress toward Paperless Contracting.

Most Acquisition leaders report that their agencies would like to move to paperless contracting, and approximately two-thirds of the agencies surveyed indicated that their agencies have a formal Paperless-Contracting initiative underway.

As leading agencies deploy Paperless Contracting technologies they are able to achieve new productivity levels which compare favorably to those agencies which haven't. During the decade following regulatory mandates to use "Electronic Commerce in Federal Procurement", Acquisition dollars managed per Acquisition professional more than doubled.

**105th Congress Public Law 85. Section 850 – Use of Electronic Commerce in Federal Procurement**
*(November 1997)*

> The head of each executive agency, after consulting with the Administrator, shall establish, maintain, and use, to the maximum extent that is practicable and cost-effective, procedures and processes that employ electronic commerce in the conduct and administration of its procurement system.

**The Government Paperwork Elimination Act**
*(October 1998)*

> GPEA requires that, when practicable, Federal agencies use electronic forms, electronic filing, and electronic signatures to conduct official business with the public by 2003.

## COMPUSEARCH®

**National Archives and Records Administration:  Managing Government Records Directive (M-12-18)**
*(November 2011)*

> This Directive requires that to the fullest extent possible, agencies eliminate paper and use electronic recordkeeping.  It is applicable to all executive agencies and to all records, without regard to security classification or any other restriction.

**Federal Acquisition Regulations, Subpart 4.5(a)—Electronic Commerce in Contracting**

> The Federal Government shall use electronic commerce whenever practicable or cost-effective. The use of terms commonly associated with paper transactions (e.g., "copy," "document," "page," "printed," "sealed envelope," and "stamped") shall not be interpreted to restrict the use of electronic commerce. Contracting officers may supplement electronic transactions by using other media to meet the requirements of any contract action governed by the FAR (e.g., transmit hard copy of drawings).

**2.   The benefits of Paperless Contracting include lower prices, and greater productivity, compliance, and knowledge retention.**

**Lower Prices, Higher Productivity.**  According to Gartner, compared to traditional or basic sourcing approaches, firms that adopt Paperless Contracting:

- Can save up to 25% on purchases.  According to A.T. Kearney, introducing Paperless Contracting technologies into an already well managed organization can increase savings by 5-8%;

- Reap 20-50% time savings;

- Have 90% of buyers who claim that their productivity increased, which is consistent with experiences reported by vendors.

**Knowledge Retention.**  Paperless Contracting captures much of the data that otherwise exists only in in the buyer's mind, eMail inbox, or filing cabinet.

**Continuous Improvement.**  A single, consolidated store of contract data enables searches, reports and dashboards.  This in turn facilitates metrics through which Acquisition professionals, and their leadership, can better manage Acquisition operations to drive efficiency.  Acquisition executives with successful Paperless Contracting programs value the metrics, insights and resulting opportunity to continually make incremental improvements to their contracting operations.

**Myriad Operational Benefits.**  Paperless Contracting enables:

- Quick and easy responses to otherwise onerous requests for ad hoc reports, including comparisons to FPDS;

- Teleworking which increases employee retention and the pool of available new-hire candidates and worksites;

- Workload rebalancing, to use excess capacity and smooth spikes of overtime;

- Rapid deployment of contingency contracting environments;

- More than one person to look at a contract file at the same time;

- Easy back-up of contract files –large and small – that otherwise could be easily lost or misplaced.

**Cost Savings.**  Paperless contracting realizes savings in paper and paper-related materials expenses including printers, toner, filing cabinets, secure storage space, as well as the costs associated with the transportation and proper disposal of contract files.

**Compliance.**  As a result of her Paperless Contracting initiative, one Acquisition executive was able to identify inherently governmental roles that were being performed by contractors.  Another was able to detect individuals creating miscellaneous obligations and distributing money without authority.  Controlling workflow and clauses is a frequently cited benefit of Paperless Contracting.

**3. Leaders have overcome the common challenges of Paperless Contracting and established best practices.**

| Challenges (relative prominence) | Best Practices |
|---|---|
| **Resistance to change (70%)** | • Issue policy mandating the use Paperless Contracting systems and processes.  Gartner research revealed that deploying Paperless Contracting "as an optional tool to be used at the buyers' discretion results in low adoption rates."<br><br>• Discuss policy with management and collectively communicate to 1102s and vendors<br><br>• Conduct acquisition reviews using only data from the system of record (i.e., no paper allowed)<br><br>• Identify and recognize 1102s who embrace new systems and processes<br><br>• Eliminate or drastically reduce physical space for filing cabinets and document storage, after ensuring scanners are easily accessible<br><br>• Provide ongoing support and training, including venues for management to share best practices with other agencies.  Note that some 1102s will need much more training than others. |
| **Uncertainty about what milestones are achievable in the short, medium, and long terms (15%)** | • Discuss plausible approaches with senior management and Acquisition executives in other agencies<br><br>• Review case studies describing approaches used by other agencies<br><br>• Engage consultants who have successfully implemented, maintained, and upgraded Acquisition systems and processes<br><br>• Use the Paperless-Contracting Maturity Model (PCMM) as a starting point |
| **Security (10%)** | • Collaborate with your agencies information-security officer early and often to ensure the necessary authorization to operate (ATO) is secured and maintained |
| **Vendors without internet access or those who need to submit extremely large attachments (5%)** | • Establish a small support desk to support the few vendors who might have valid shortcomings |

4. **Acquisition executives feel pulled (or pushed) to achieve four tiers of infrastructure maturity.**

## Paperless Contracting Maturity Model™

| PCMM Level | Core Workflow | Interfaces | Interactions with Program Managers and Contractors |
|---|---|---|---|
| Level 4 | Add: Social, mobile, and live communications module | Add: HR-IS, to include feeds summarizing 1102s' warrants and security clearances | Add: Budget and mod feeds to Program Managers, and structured award and mod feeds to Contractors |
| Level 3 | Add: Portfolio module for management views of procurements' status, budget, and risk by program, geography, and workgroup | Add: Enterprise Content Management System | Add: Technical Data Submissions and CDRL Management feeds among Program Managers and Contractors |
| Level 2 | Add: COTS Requisition module | Add: BI dashboards and ad hoc reporting | Add: Reverse Auctions aligned with OFPP guidance |
| Level 1 | COTS Solicitation and Award modules / Funding Opportunity and Grants modules | Automated interfaces to financial system, SAM, FPDS, Grants.gov, EDA, FBO, et al | Bi-directional vendor portal |
| Level 0 | Paper, MS Word, eMail, Sharepoint, vagarious custom-built modules | Manual data entry into financial system, SAM, FPDS, Grants.gov, EDA, FBO, et al; MS Excel / Powerpoint for ad hoc reports | eMail, Sharepoint |

**Exhibit A**

Leading Acquisition executives are reaching for the next level of productivity and effectiveness. They are aware of the progress their Program-Office partners and Contractors have made on the IT front, as well as outstanding questions about integrating workflow.

- Program Offices have already deployed software solutions to continuously monitoring mission progress and risks, and collaborate with Acquisition partners and Contractors –particularly on Contract Data Requirements.

- Responsible for maintaining compliance with a broad array of evolving regulations and fulfilling Contract Data Requirements, advanced Contractors have already deployed software solutions to guide their efforts from award through close-out. They've deployed Contract Management Systems that prevent myriad, insidious contracting risks from festering into enterprise-level problems.

Outstanding questions:

- Program Managers

  → How do I report key Acquisition metrics to PEOs without manual data entry, Powerpoint iterations, and spreadsheets?

  → Are my Contract Data Requirements being fulfilled, and have the contract modifications needed for funding been approved?

- Acquisition Executives

  → How do I handle records management requirements?

  → How do I better collaborate with the Program Offices?

- GovCon Contracts Professionals

  → How do I get structured contract data into my Contract Management System without re-keying information that the government has already entered?

  → How can I synchronize my view of Contract Data Requirements and submissions with my customers' views?

## Exhibit B

**Electronic Submissions in Federal Procurement: Implementation by the Army Corps of Engineers and Department of the Interior's Bureau of Reclamation GAO-15-253R: Published: Dec 18, 2014. Publicly Released: Dec 18, 2014.**

 "Concerning how the Bureau provides for the use of electronic bid submissions in its procurement process, the Bureau uses existing department-wide infrastructure for electronic submissions...Bureau officials stated that currently, the Bureau uses FBMS **PRISM** to prepare and issue solicitations, and posts them to **FedConnect.net** and FedBizOpps. gov... According to officials, the Bureau receives approximately 54 percent of its bids or proposals electronically, which is about 42 percent of its contract obligations. These officials stated that the Bureau has no apparent constraints or issues with receiving electronic responses, including those that may contain large files or technical drawings.  The Bureau's approach of using standard and common federal tools to enable electronic bid submissions is consistent with the discretion and flexibility provided by section 850."

## Bibliography

i. 105th Congress Public Law 85.  Section 850 – Use of Electronic Commerce in Federal Procurement.  November 1997.

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iv. Gartner:  Adopt These E-Sourcing Best Practices to Drive Savings.  March 2014.

v. Federal Acquisition Executive Roundtable:  Paperless Contracting.  December 2014.

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vii. Acquisition Policy Survey.  Grant Thornton and PSC.  January 2015, 2006.