

CASE STUDY:

SOW AUDIT AND ANALYSIS

OBJECTIVE:

360 Talent Solutions recently conducted an analysis and audit and of 200 SOWs with a client organization. The focus of the project was on reviewing the description of services and the workers assigned to each project. Through this process, the aim was to identify potential risks such as miscategorized staff augmentation workers, missing agreements, non-compliance with client policies, operational concerns (on/off-boarding), and missed cost savings opportunities. The project also included a detailed analysis of supplier categorization. The output of the assessment provided observations and recommendations for mitigating risks, enhancing SOW contractual language, and engaging proper buying channels based on anticipated work outcomes.

CURRENT STATE

Our client had an efficient process to capture SOW worker records in their Vendor Management System (VMS), however, those workers could not be directly connected with executed SOWs. They were using five separate and fragmented applications/databases to capture SOWs which created challenges in directly linking them to worker records in the VMS.

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A restrictive tenure policy encouraged hiring managers to engage workers on an SOW basis when they more than likely should have been engaging these workers and suppliers as staff augmentation workers.

RECOMMENDATIONS:

- Establish a Centralized Program Management Office (PMO): The PMO will guide managers on appropriate buying channels, ensuring adherence to policies and procedures.
- Drive a governance framework with direction and ownership from key business stakeholders, complemented by program and policy oversight from Procurement and HR.
- Develop a comprehensive roadmap for execution, including a change management approach to ensure full visibility and adoption with minimal disruption to the business.
- Utilize the VMS as the primary system of record to enhance the connection between worker records in the VMS and the corresponding SOWs to improve data integrity and accessibility.
- Review and Update Staff Augmentation Tenure Policy. Aligning the policy with industry best practices to accurately classify workers as staff augmentation or SOW workers.
- Ensure hiring managers have a clear understanding of the criteria for engaging workers on an SOW basis.
- To mitigate risk, migrate suppliers to the client's agreement template to establish standardized terms and conditions.
- Rewrite SOWs to include a detailed scope of service, supplier management oversight, and institute Service Level Agreements (SLAs) and Key Performance Indicators (KPIs) to hold supplier partners accountable.
- Introduce penalties for failure to meet SLAs to encourage supplier commitment and quality service delivery.

ASSESSMENT OUTCOME:

During the assessment, the nature of work performed by workers executing services through SOWs were reviewed to determine if they should be classified as SOW or staff augmentation workers.

In instances where SOW were written for one off workers, we recommended converting those workers to staff augmentation workers and aligning them to their program's rate card, an estimated annual cost savings of \$900K could be realized.

Additionally, for true SOW based work, our client was providing significant management oversight of day-to-day work tasks. By shifting management responsibilities to SOW suppliers, the client could achieve an estimated annual cost savings of \$500K.

Through the implementing of our recommendations and enhancing the management of contingent workers through improved SOW processes, the client can mitigate risks, optimize cost savings, and ensure compliance with policies while improving the overall effectiveness of the contingent workforce.