

Statement of Work? But I Just Wrote a Contract!

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What is a Statement of Work?

- A Statement of Work is a contractual document between a customer and the provider of the Contractual Services
 - Commonly referred to as a “SoW”
- SoW defines:
 - What work is to be provided
 - How the work will be provided
 - When the work is to be provided by
 - How the work will be paid for
 - How the two parties should communicate during the provision of work

Why do I need a SoW?

- If RFB requirements are expressed clearly enough, a SoW may not be needed
- For contracts where requirements were either not defined clearly enough, or if the contract is the result of an RFP, a SoW should be used to further define the contractual services to be provided
- Selfishly, as the Contract Manager, it becomes your go-to document

Contract Documents

- A typical Services Contract managed by the State Bureau of Procurement will have the following documents incorporated:
 - Main Contract Document
 - Solicitation Document and Attachments
 - Vendor's Response to the Solicitation as accepted by the State
 - DOA-3054, Standard Terms & Conditions
 - DOA-3681, Supplemental Standard Terms & Conditions for Procurements for Services



Where are the Details?!?

Contract vs. SoW

Contract

- Think of a Contract as an envelope
- Encompasses all Contractual documents
- Main Contract Document will establish terms and conditions, all the legal-ish stuff

SoW

- Statement of Work IS a Contract!
- Usually attached either as an amendment or attachment to the Contract
- Detailed description of work to be provided
- Minimal legal-ish terms and conditions

Contract vs. SoW

Contract

- Terms usually in the main Contract Document:
 - Limitations of Liability
 - Warranty information
 - Venue
 - Applicable Law
 - Termination Procedures
 - Insurance Responsibilities
 - Antitrust Assignment
 - Records, Recordkeeping, & Record Retention
 - Breach not Waiver

SoW


- Terms used best in a SoW
 - Payment Schedule
 - Services Acceptance Criteria
 - Timeline
 - Communication Plans
 - What is not included in the SoW
 - Deliverables
 - Detailed Description of tasks and work to be provided
 - Contractor work requirements
 - Location

SoW Development

- Developing a Statement of work will involve a cross-functional team of individuals to ensure the SoW meets all project, finance, and program area needs
- The SoW will have responsibilities for both parties, including YOU!
- Throughout the rest of the presentation, different areas will be denoted with parties who will need to be involved in the development of that section

Basic Information: Program Area/Contract Manager

- General Information:
 - Contract Reference
 - Overall Timeline – not specific steps timeline
 - Overall Budget or Contract Cost
- Contract Parties:
 - Entities
 - Specifically name parties responsible for both parties



This Statement of Work is incorporated by reference into Contract #505ENT-M22-CONSULTING-01 (Contract). The Consulting Services under this SoW shall commence upon mutual execution of the Contract and shall be completed by December 31, 2021. This SoW does not establish work requirements for any work performed outside of the time period identified above. The cost of the work provided under the terms of this Statement of Work shall not exceed \$100,000. The State's Contract Manager for this Statement of Work is Cheryl Edgington. NEWSRADIO, CORP's Contract Manager for this Statement of Work is Dave Nelson. Duties of the role of Contract Manager are defined in section XX of this Statement of Work. Contact information for both parties is defined in section XX of this Statement of Work.

Description of Services: Program Area/Contract Manager

- This Section will define what IS, and what IS NOT, included in the SoW
 - Specific Details:
 - System Access as Appropriate
 - Specific Organizational Areas services are going to be provided
 - Project Title
 - Hours Services shall be provided
 - What is Consulting? This is your time to define this!
 - Reference deliverables – which is in a later section

NEWSRADIO, CORP will provide the State's Bureau of AM Radio with a market analysis and recommendations for the State to increase its outreach for its Public Service Announcements on its AM Radio Stations. The Market Analysis will include the entire State, and the following Counties of Wisconsin's bordering Counties. This Market Analysis must be provided in accordance with the terms of section XX of this SoW (Deliverables). In conducting this Market Analysis, Contractor may conduct surveys of AM radio stations that are broadcasted within Wisconsin, and AM radio stations that are received in Wisconsin. In conducting the Market Analysis, Contractor is not to survey any FM radio station. Contractor can conduct its responsibilities under the SoW during the time of day it deems appropriate, however, the State will not be reachable outside of the hours from 9am-330pm on weekdays. The State will not pay for work conducted outside of the Deliverables that has not been agreed upon under the terms of section XX of this Statement of Work.

Deliverables/Project Milestones: Program Area/Contract Manager

Deliverables

- What do you want produced under the SoW?
- Can also be called a project milestone
- Specific documents, reports, recommendations
 - Be Specific as to the details that need to be contained in each and every deliverable
- Timeline for Deliverable Completion
- Acceptance Criteria for Deliverables
 - Put together a form that Contract Actor can sign off on
- Reference payment schedule

Project Milestones

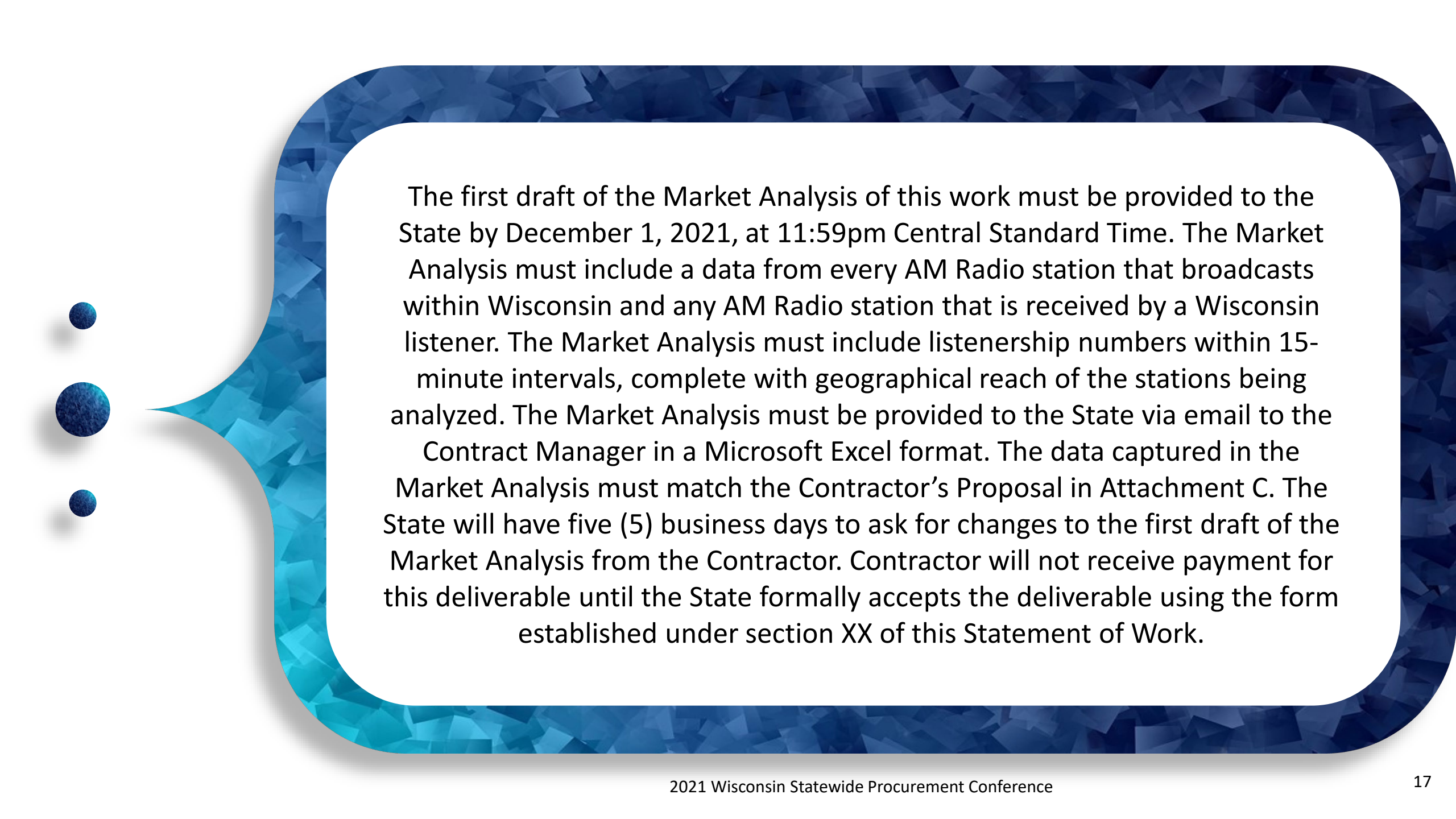
- Sometimes, a physical deliverable may not be able to be defined, but a defined project milestone may be
 - Project Milestones are the steps the Contractor will complete in order to complete the overall project
 - Project Milestones are most easily built using the Contractor's project plan that they submitted in response to the original solicitation
 - For purposes of today's session, we will include the discussion of these in conjunction with deliverables
 - If establishing project milestones, ensure the State has the appropriate acceptance criteria to dispute that the Contractor completed this milestone
 - Example – VoIP Contract

Acceptance of Deliverables

- This is the most important part of the administration of the Statement of Work
- If the consulting services being provided are only defined by the deliverables, it is critical for the State to be protected in how it will accept deliverables
- **Contract Administration Note:**
 - If you are the Contract Administrator, take your time in the acceptance of deliverables
 - This step is our final checkpoint that things are being provided the way we asked for them
 - It is okay to ask for things to be recreated, or restricted, as long as they are done so within the terms of the Statement of Work
 - Deliverables are the building blocks of a successful project, so make sure they meet our expectations, and those established within the Statement or Work

Acceptance of Deliverables Form

- This is important to tie acceptance to a formal sign off for multiple reasons:
 - Audit Trail
 - Someone should be able to recreate all contractual actions in the future based on the contract file, which includes the acceptance of a deliverable
 - How many of us have heard, “Who accepted this?”
 - “We paid \$3,000,000 for this?”
 - Can identify exactly why the deliverable was accepted and the history of the acceptance
 - Gives the OK to pay if using a deliverable based payment schedule – finance consult needed
 - Gives a status update to whomever is signing things on the Contract
 - Put together a simple template for use on all deliverables



The first draft of the Market Analysis of this work must be provided to the State by December 1, 2021, at 11:59pm Central Standard Time. The Market Analysis must include a data from every AM Radio station that broadcasts within Wisconsin and any AM Radio station that is received by a Wisconsin listener. The Market Analysis must include listenership numbers within 15-minute intervals, complete with geographical reach of the stations being analyzed. The Market Analysis must be provided to the State via email to the Contract Manager in a Microsoft Excel format. The data captured in the Market Analysis must match the Contractor's Proposal in Attachment C. The State will have five (5) business days to ask for changes to the first draft of the Market Analysis from the Contractor. Contractor will not receive payment for this deliverable until the State formally accepts the deliverable using the form established under section XX of this Statement of Work.

Payment Schedule: Program Area/Contract Manager/Finance

- This section will establish how much and when the Contractor is paid under the Statement of Work
- Define HOW the Contractor will be paid – Check, Electronic Payment
 - Two different approaches to Payment Schedules
 - Time- and Materials-Based
 - Deliverables-Based
- Holdbacks for completion

Bring Finance In!

- It is critical before the Statement of Work is completed, that the finance department be consulted on the payment schedule
- There is absolutely nothing worse than establishing a payment schedule with a Contractor and not have the payment dates be feasible
- For example, if we tie a payment to a deliverable and establish a payment date within two (2) days of the formal acceptance of the deliverable, finance may not be able to get a payment to the Contractor on that timeline based on timing with STAR, or other payment systems

Bring Finance In!

- Finance should consult on what they need as documentation to pay out on a deliverable or a time and material invoice
- After the Contract and Statement of Work are signed, it is important to also consult with finance to establish the appropriate form of the purchase order in your finance system
- It is in your best interest to keep your finance department involved in anything they could interact with in the future
- Example:
 - Contracted Personnel as an hourly rate of \$50/hour, for a year-long engagement (2080 hours)
 - It would make sense to establish a PO with a unit cost of \$50, with an order of 2080 units on the PO
 - This actually caused issues for repeated invoicing within our system, so our finance department asked for POs to be established as a 1 unit order for the total cost of the engagement

Payment Schedule Differences

Deliverables-Based

- Ties payment to acceptance of a deliverable and establishes a schedule for the payment
- Project Deliverables when put together complete the overall project
- Allows the State to layout specific acceptance criteria for the Deliverable/Project Milestone

Time- & Materials-Based

- Ties payment to an invoice the Contractor submits to the State based on reimbursable time and any materials the Contractor purchased to fulfill the Contract
- May have a regular invoicing schedule
- Acceptance criteria is based on reviewing the invoice

Benefits of Each Approach

Deliverables-Based

- Trackable
- Greater control of each payment
- Defined deliverable for the contract
- Tangible product result
- Progress defined as a result of deliverables/project milestones

Time- & Materials-Based

- Quicker to establish
- Ultimate flexibility in the work being provided
- Used when the State has issue defining exactly how it would like the project to be completed

Detriments of Each Approach

Deliverables-Based

- Takes longer and more effort to establish a Statement of Work to this approach
- Sometimes will result in the production tangible products that are meaningless to the overall project

Time- & Materials-Based

- Less control over the overall project
- Can result in lack of progress on overall project
- If services are provided, we must pay, in accordance with the terms of the Contract
- Acceptance Criteria less established

Typical Uses for Each Approach

Deliverables-Based

- New systems Implementation
- Consulting Arrangements

Time- & Materials-Based

- Ongoing maintenance contracts
- Staff Augmentation contracts
- Work that is supervised by the State

Project Completion Payments

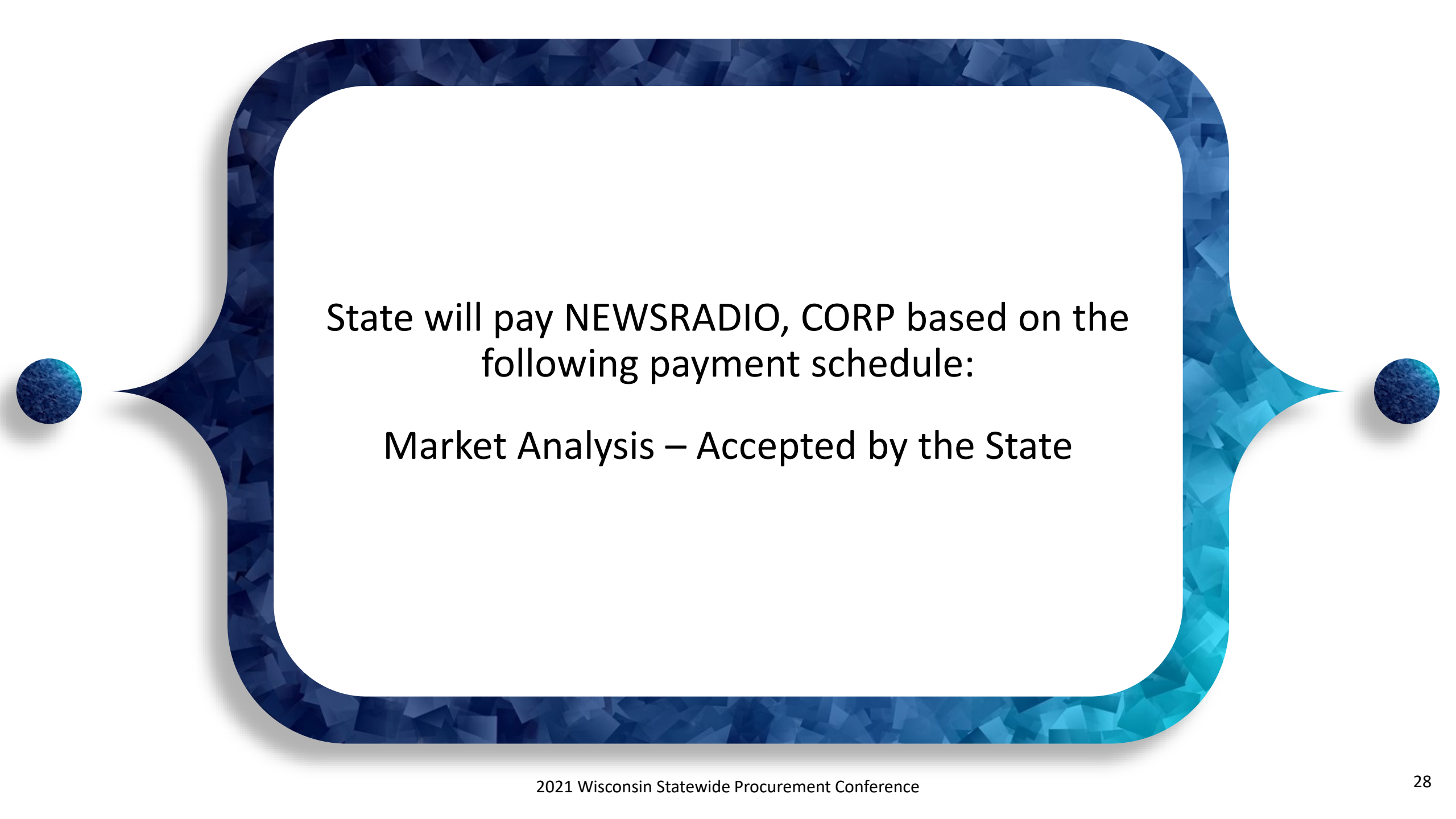
- One way to encourage progress towards the entire project being completed is to tie payment to the completion of the project
- Two ways this is typically done:
 - Payment holdback amounts
 - Tie a payment directly to the overall completion of the project
- Both approaches require strong acceptance language and strong acceptance action on the part of the contract manager/administrator

Payment Holdback

- This approach “sets aside” a portion of a payment to be paid to the contractor upon completion of the overall project
- Useful in SoWs with no project milestones or deliverables – Time- and Materials-based approaches
 - *Annual payment of \$1,000,000 will have a 10% holdback until acceptance of the completion of the project.*
 - If project takes 3 years to complete, the holdback of \$300,000 will be paid upon completion
 - $\$1,000,000 * 10\% = \$100,000$
 - $\$100,000 * 3 \text{ Years} = \$300,000$
 - *15% of every invoice submitted to the State will be held back until acceptance of the completion of the project.*
 - Work with finance on a relationship like this, as tracking costs across multiple invoices may be difficult

Project Completion Payment

- Essentially view the Completion of the Project as a deliverable in the deliverables schedule
- One way to define this is that all deliverables or project milestones have been accepted by the State
- Make this amount mean something to the Contractor
 - For example, if you have a \$100,000 contract, but are only tying completion of the project to \$5,000, the Contractor lacks incentive to finalize the contract
 - Perhaps 30% makes more sense for final payment
 - $\$100,000 \text{ Contract} * 30\% = \$30,000$ due upon completion of the project
- Again, work with finance to ensure the completion payment is appropriately set up to be paid



State will pay NEWSRADIO, CORP based on the following payment schedule:


Market Analysis – Accepted by the State

State will pay NEWSRADIO, CORP. based on the following schedule:

- Completion and Acceptance of the Market Analysis
 - State will pay \$20,000 to NEWSRADIO within ten (10) business days of the State's acceptance of the Market Analysis as defined in section XX of this Statement of Work.
- Completion and Acceptance of Recommendations
 - State will pay \$20,000 to NEWSRADIO within ten (10) business days of the State's acceptance of the Recommendations as defined in section XX of this Statement of Work.
- Completion and Acceptance of the Statement of Work
 - State will pay \$60,000 to NEWSRADIO within ten (10) business days of the State's acceptance of the completion of this project as defined in section XX of this Statement of Work.

Project Completion/Closure: Program Area/Contract Manager

- This section will define exactly what the completion of the project looks like
 - If you did a good job at defining your deliverables or project milestones, this should be relatively straight forward
 - For Time- and Materials-based approaches, this will be a little more difficult to define
- Provide the absolute last date!
- This is our last kick at the can – the State needs to ensure we have everything we needed, and contracted for, from this arrangement
- This will also define any outstanding responsibilities for both parties
 - Records retention, etc.



Upon acceptance of the deliverables established in section XX, the State will provide a formal acceptance letter of completion of the project. This acceptance letter serves as the completion of this contractual arrangement. The deliverables for this project must be completed by December 15, 2021, to allow time for the State to apply the acceptance criteria for the project. NEWSRADIO, CORP. will fulfill all contractual terms that survive this engagement per section XX of the contract document.

Things to Take Away

- Be Specific
 - This is the document that everyone will look back to wishing that certain things were established during the provision of services
 - Always ask the 5 W's for every deliverable, payment, milestone, etc.
- Consult with the appropriate parties
 - The program area is the most critical part in the development of a Statement of Work
 - Ensure that finance is consulted on any payment arrangements that you make

Things to Take Away

- Consult the appropriate documents:
 - Many of these details may be laid out in the solicitation documents and the contractor's response to the solicitation
- The Statement or Work should provide the Contract Administrator with more tools, but should not necessarily make the job easier
 - Schedules
 - Acceptance Criteria
- The most important role in any Statement of Work situation is the Contract Administrator
 - This is the person responsible for authorizing payments and will be the person people look back to for accepting the work completed



Questions?