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RESOURCE:

Minimizing Audit Fire Drills: Three Ways Contract Management Can Help Tame the Flames

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REDUCE
ADMINISTRATIVE COSTS



IMPROVE
PRODUCTIVITY



MINIMIZE
RISK



INCREASE
RESPONSIVENESS



GENERATE
RELIABLE OUTCOMES

You know the drill. You're hit with a huge audit, and now you have to stop everything and scramble to pull together all of the required information. Oh, and you have only one week to do it! If you're like me, every time this happens you think to yourself, "It will take days to find everything. I have so many other tasks to accomplish. How will I get it all done?"

The truth is that a visit from an auditor is a time-consuming, unavoidable process that must be managed effectively to achieve a successful outcome. For those of us involved in the process, whether it's an internal audit, or you're preparing for a client, financial, or regulatory audit, there are two things you can be certain of: the requirement to deliver an extensive list of documents and the need to substantiate many internal processes.

Even for the most prepared teams, audits inevitably put a strain on day-to-day tasks and the deliverables list can be overwhelming. What's the key to reducing audit stress and streamlining the audit process? Gaining visibility and control over your contracts. Why? Well, if you know where your contracts are, and you have transparency into the contract lifecycle, you have won half the battle.

A sound contract management system is an essential part of any organization. Access to contract files and visibility into contract data, combined with stronger control over contract language and enhancing contract compliance, can dramatically improve your audit readiness. Moreover, existing and ever-increasing regulations in many industries mean having a sound contract management system is more crucial than ever.

Yet surprisingly, many companies continue to operate without a contract lifecycle management (CLM) platform in place. Often, they deal with multiple repositories that don't support ready access to files and the data points buried in those files. Or, they try to "make do" with under-utilized technology platforms that are aren't well configured to access important information. Let's explore the benefits a contract management system brings to an organization, and how those organizational benefits go hand-in-hand with fostering a smooth audit experience.

"Compliance management is improved 55% with a contract management system"

*Aberdeen Group
"Practical Approaches to Contract Management Deployment"*

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A CENTRALIZED CONTRACT PORTFOLIO ENABLES ACCESS

The audit team may find itself scrambling to gather required contracts and documentation, and then working long hours to produce the correct documents. This challenge can be overcome by centralizing contracts and related documents in one place. A single source of accessibility minimizes inaccuracies, facilitates better version control, and makes audit timeline requirements achievable. A central repository:



Provides a streamlined way to gather deliverables for an audit, regardless of the scope – knowing the location of a contract and who has access to it can eliminate hours of work



Enables an organization to create role-based security levels to define contract access by position, providing a more secure method of managing sensitive contract data



Supports compliance with an organization's document and record management policies



Fosters transparency throughout the complete lifecycle of a contract, from contract creation to expiration

STANDARDIZED LANGUAGE HELPS DEMONSTRATE COMPLIANCE

Verifying compliance is an essential part of the audit process. While we often think of compliance in terms of audits conducted by a regulatory body, client, financial, and other types of audits include a review of an organization's contracts to validate that the contracts include the right provisions and that the company is performing in accordance with those provisions.

Pre-approved contract language and templates are an important component of an efficient contract management system. Approved templates and clauses serve as internal controls that support both efficiency and compliance. By creating and deploying a standard set of templates and clauses as part of your contract management system, organizations can:

- Systematically and efficiently ensure that the contract language properly adheres to regulatory, client, and other performance requirements;
- Enable auditors to confirm compliance, thereby promoting quick and efficient audits; and
- Reduce the burden on legal departments by permitting non-legal personnel to effectively participate in the contract and audit processes.

AUTOMATED NOTIFICATIONS AND REPORTING DEMONSTRATE CONTROL OVER PERFORMANCE AND RISK MANAGEMENT

Organizations are often prompted to adopt contract management as a competency to ensure they meet contractual obligations and achieve performance levels. If not managed and tracked efficiently, the terms and clauses buried within contract language, or missed performance objectives, can make an organization susceptible to risk. This exposed vulnerability can also be a red flag to an auditor, resulting in additional probing, a lengthier audit process, and possible financial penalties.

With a contract management system in place, automated alerts, scheduled notifications, and triggered reporting can be created for any contract or document. This functionality equips an organization with the power to automate notification of requirements, such as contract renewals, financial reporting, and client-mandated performance indicators.

By setting up a notification that alerts to an approaching renewal date, you can proactively manage the contract lifecycle and review opportunities for renegotiation. The same value applies to reporting requirements. Implementing an alert prior to a monthly, quarterly or annual report due date provides responsible parties ample time to take action.

With the ability to proactively manage and track contracts, implement notifications and automate reporting, an organization can:

- Provide comprehensive checks-and-balances to illustrate adherence to compliance requirements examined during an audit;
- Efficiently monitor and manage its performance levels against the requirements of a client, vendor, regulatory body or other auditor; and
- Proactively demonstrate its risk management program and internal controls.

ORGANIZATIONAL VALUE: THE AUDIT-CONTRACT CONNECTION

When contracts are centralized, standardized, and systematically managed within an automated platform, a smooth audit process naturally occurs. Connecting the audit and contract processes helps organizations maintain the integrity of their information, stay up to date on requirements, and be more prepared for both internal and external audits.

Proactively managing your contracts in a centralized manner, using standardized content, while tracking and managing updates and requirements, can transform the audit process within your organization. Streamlining that process requires three key elements of contract management:



Improving access to contract files and visibility into contract data



Increasing control over contract language



Enhancing contract compliance

Establishing the foundation and control elements for a well-disciplined contract management system requires commitment. Once your system is in place, your organization will not only gain business benefits and generate measurable value, it will have the support in place to successfully prepare for and manage future audits.

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