



Chapter 08: Administrative and Financial

06. Vendor and Supplier Contract Management

Manage vendor and supplier contracts to ensure favorable terms and reliable service delivery.

Purpose

Establish systematic contract management procedures that secure favorable vendor terms, ensure reliable service delivery, and maintain compliance with procurement policies while supporting operational needs and cost optimization.

Roles and Responsibilities

Finance Leader:

- Review and approve billing policies and procedures
- Oversee invoice accuracy and accounts receivable
- Monitor financial performance and budgets
- Ensure compliance with financial regulations
- Coordinate with external accounting services

Business Leader:

- Approve marketing budget and resource allocation
- Review financial projections and business development strategies
- Provide strategic direction for market expansion
- Monitor competitive positioning and pricing strategies
- Oversee vendor contracts and supplier relationships

Operations Leader:

- Oversee daily operations and coordinate between departments
- Authorize emergency response procedures and resource allocation
- Monitor safety compliance and operational excellence
- Coordinate scheduling across departments for operational coverage
- Review billing disputes and approve service adjustments
- Ensure regulatory compliance across all operations

Process Steps

Vendor Selection Phase

- **Identify service requirements** - Define specific needs, service levels, and performance expectations
- **Research potential vendors** - Evaluate vendor capabilities, references, and industry reputation
- **Request proposals** - Solicit competitive bids with detailed specifications and evaluation criteria
- **Evaluate vendor proposals** - Compare pricing, capabilities, and terms using standardized scoring matrix

Contract Negotiation Phase

- **Review contract terms** - Analyze proposed terms for pricing, service levels, and liability provisions
- **Negotiate improvements** - Secure favorable pricing, payment terms, and performance guarantees
- **Include aviation requirements** - Ensure contracts address airport access, security, and safety requirements
- **Obtain legal review** - Have attorney review contracts for liability and compliance issues

Contract Execution Phase

- **Finalize contract documents** - Complete all contract paperwork with proper signatures and dates
- **Establish vendor accounts** - Set up vendor in accounting system with payment terms and contacts
- **Communicate contract terms** - Brief relevant team members on vendor capabilities and procedures
- **Schedule performance reviews** - Establish regular vendor evaluation meetings and metrics

Contract Administration Phase

- **Monitor vendor performance** - Track service delivery against contract specifications and service levels
- **Process vendor payments** - Ensure timely payment per contract terms and resolve billing issues
- **Manage contract modifications** - Process change orders and contract amendments as needed
- **Prepare renewal evaluations** - Assess vendor performance and market conditions for renewal decisions

Process Mapping

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flowchart TD

A[Identify Need] --> B[Research Vendors]

B --> C[Request Proposals]

C --> D[Evaluate Options]

D --> E[Negotiate Terms]

E --> F[Legal Review]

F --> G[Execute Contract]

G --> H[Monitor Performance]

H --> I{Renewal Time?}

I -->|Yes| J[Evaluate Performance]

I -->|No| H

J --> K[Renew or Replace]

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## Tools and Resources

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- **Contract Management System:** Digital contract storage and tracking capabilities
- **Vendor Database:** Contact information and performance history
- **Proposal Evaluation Matrix:** Standardized vendor comparison tools
- **Legal Counsel:** Attorney specializing in commercial contracts
- **Performance Metrics Templates:** Vendor evaluation and scorecard formats
- **Procurement Policies:** Company guidelines for vendor selection and contracting

## Success Metrics

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- **Completion Time:** Contract negotiations completed within 45 days of vendor selection.

**Quality Standard:** 95% of contracts include appropriate aviation-specific terms and liability protections.

**Safety Standard:** All safety-critical vendor contracts include emergency response and backup service provisions.

**Client Satisfaction:** Vendor services support 98% client satisfaction with FBO operations.

## Common Issues and Solutions

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- **Issue:** Vendor service quality declining after contract execution
- **Solution:** Implement regular performance reviews with measurable service level agreements. Include performance improvement requirements and contract termination provisions for persistent issues.

**Issue:** Contract terms not addressing aviation-specific requirements


**Solution:** Develop aviation contract templates with standard airport access, security clearance, and insurance requirements. Require legal review for all aviation service contracts.

**Issue:** Vendor payment disputes affecting service relationships


**Solution:** Establish clear invoice review procedures and payment schedules. Maintain open communication with vendors and resolve disputes promptly to preserve service quality.


## Safety Considerations

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 **WARNING:** Ensure all vendor contracts include appropriate insurance coverage and liability protection for airport operations

 **CAUTION:** Verify vendor personnel have required airport security clearances and safety training

 **NOTE:** Include emergency contact procedures and backup service provisions in all critical vendor contracts

 **BEST PRACTICE:** Maintain multiple vendors for critical services to ensure operational continuity

## Regulatory References

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- **14 CFR Part 139** - Airport Operating Certificate (vendor requirements for airport operations)
- **Transportation Security Administration (TSA) Regulations** - Airport security requirements for vendors
- **Uniform Commercial Code (UCC)** - Commercial contract law and requirements
- **Company Procurement Policies** - Internal vendor selection and contract approval procedures