

Contracts for Services Review

(Rev 11/12/02)

Any Amount:

Payroll reviews in order to intercept "contractors" who have employee relationship to UM. This is to change a previous UM pattern of non-compliance, which resulted in fines for violations of tax laws.

Purchasing distributes copies and retains a file copy.

Purchasing Reviews:

1. Clerical Review
 - a. SS # or Corporate ID is included.
 - b. If Individual is checked, make sure qualifications are listed in #3.
 - c. Make sure a total \$ figure is listed.
 - d. Check the Dates (#6) for termination. Date must be listed. If date is in the past, send 1P019 letter.
 - e. Make sure signature approvals are affixed. Apply Director's signature stamp.
 - f. Check for the Payroll time stamp. If missing, take the contract to Payroll.
 - g. Encumber contracts that check the encumber box.
 - h. Maintain central file and database of Contracts for Service (to pull for auditing and status purposes).
 - i. Check Object and Sub-Object for correct use of Professional Service vs. Consulting Service.
 - j. If sponsored funds are being used, and the contract exceeds \$2000, check to make sure the contract has been signed by a representative of SPA (Sponsored Projects Administration).
 - k. Send any attached invoices, along with copy of approved contract, to Disbursements.
 - l. Establish and update history grids for commonly used vendors or often-supplemented contracts.
2. Buyer Review
 - a. Check B4 (funding source) and B5 (dollar amount of contract). The buyer for CFPS will need to obtain Certificate of Compliance with Federal Requirements in these circumstances before recommending the CFPS to the Director for signature:
 - 1) **Federal contracts** over \$25,000 require the certification form signed, but only for debarment. The other two certs can be crossed off.
 - 2) Contracts on **federal contracts** over \$100,000 require the certification from (all three certs) signed by the contractor before Purchasing can sign and issue the CFPS.
 - 3) CFPS over **\$500,000 on federal contracts** must be referred to the Director for special review before any action is taken.
 - b. Review Contractor's Duties Section C-5. This should be a complete answer. You have to make a judgement call on this. Contract must be for a *professional service*. See policy definition. Non-professional services should be submitted to Purchasing on an RX if over \$10,000. Any contracts for design, publishing, etc. that include \$10,000 or more for printing should be routed to the Print buyer.

Also, review contractor's duties to make sure it is appropriate to use Purchase of Professional Services path, instead of Purchasing of Goods and Services path. (The competitive process is more easily avoided with the Professional Services path.)

Review Contractor's Duties section to sure there is an adequate description of work to be performed to assure adequate identification of University's expectations (benchmarks, deliverables, timelines, etc. Ensure that qualifications of contractor are documented. Generally speaking, the higher the dollar value of a Contract the lengthier the description of work details will be.
 - c. Check out the qualifications/background in question C-4 if contractor is "individual". This should be appropriate for the contractor duties and provide a basis for selection.
 - d. Review Non-Standard Contract. Check any non-standard contract to make sure there are no exceptions or deletions to UM standard contract or terms that are unfavorable to the University. All non-standard contracts \$25,000 and over must go to the Office of the General Counsel for review. Tag for 5-10 days. If non-standard contract under \$25,000 have questionable clauses, they also will be sent to the Office of the General Counsel. (See items m and n. for additional information on pre-approved alternate contracts.

Note: If the contractor is the State of Minnesota or any of its agencies, and contractor takes exception to our Indemnification or Insurance terms, approve and initial changes without Arnie's approval. (per Arnie 5/29/02).

The following non-standard contracts have been approved by General Counsel: University Press, Global Campus for all trips, elderhostel (Dept. of Professional Development), Compleat Scholar, Minitex agreements with other schools, Boynton Health Services boilerplate, MN Higher Education Services and U of M agreement. If there is any question about any of these, General Counsel should be contacted. Also, check with departments on all of these if you cannot determine the amount of dollars involved, or if you cannot tell if the funds are sponsored or not.

- e. Review contracts \$25,000 and over for basis for selection and reasonableness of price. This means that if the Department did not complete a competitive process, they must include a signed statement on letterhead why they chose the contractor from all of those available, what is the basis for the price (ask for a breakdown of price on large contracts) and how they know that the price they are paying is reasonable.
- f. Intercept contracts with inappropriate payment terms (U policy does not allow net payment terms of less than 30 days; U practice is not to prepay for goods and services without good business reason.)
- g. Obtain Regents approval on contracts \$250,000 and over. This includes non-standard contracts.
- h. Check terms and conditions on all contracts for alterations made by Contractor and/or department. Determine with department, if OK in Purchasing, if alteration is acceptable. If not acceptable in Purchasing's judgement, consult with General Counsel, Risk Management or other area of expertise.
- i. Review amendments to CFPS. Amendments are to be done on the CFPS Amendment Form. They are to be signed by all parties signing the original contract. Use judgement if Contractor's signature is missing and the reason for change is of no consequence to the contractor; i.e., change in account string. If original contract was less than \$2000, and becomes more than \$2000, the Director of Purchasing needs to approve. Rules for contracts becoming \$25,000 or more, \$100,000 or more, or \$250,000 or more follow rules listed above.
Monitor excessive supplementing of dollars or time for same project, watch for avoidance of Regents approval; monitor excessive use of one vendor with weak rationale or no rationale. When there is a folder with a grid, update the supplement summary grid and copy Director of Purchasing.
- j. Review of contracts less than \$2,000. This is not an approval, but rather to ensure that the contract is completed correctly. Buyer will initial each reviewed contract of \$2,000 or less.
- k. Review contracts of \$2,000 and up against this checklist and give to the Director of Purchasing for approval. Each of these is to be stamped with the Director's signature in 10b before giving it to her.
- l. Purchasing does not have authority to sign for architectural, architectural engineering and/or design. If a contract is received for any of these services, call Gary Summerville at 5-8363. Tell him you have a contract for one of the above services. If you leave a message on his voice mail, follow-up by faxing him a copy of the contract. Wait for his advice Fax number is 4-5796. Call the department submitting the contract and let them know that Gary Summerville must approve the contract. Gary's e-mail address is **summerg@umn.edu**.
- m. Purchasing does not have authority to sign for legal services. If a contract is received for any of these services, send it to the General Counsel. Let Dan know what you have done with the contract. Call the department submitting the contract and let them know the contract has been sent to the General Counsel.
- n. Intercept all contracts for Deloitte & Touche and give separately to the Controller for review and initial or signature **along with (1) the whole Deloitte & Touche folder (for last 2 years at least) and (2) a computer report of payments made to Deloitte & Touche for last 2 years in order by area.**
- o. Intercept all contracts for auditing services and give original and one copy to the Controller for review and initial or signature **along with (1) any contracts from any University departments for the vendor for last 2 years and (2) a computer report of payments made to vendor for last 2 years in order by area.**

Other Considerations: The trend is toward tighter, rather than looser control of purchases for professional services. See MN Statutes Chapter 254.

Letters: 1P018 letters should be sent to departments when any information requested on the form or needed by Purchasing is missing. The contract itself is returned for corrections to be made. Common deletions by the departments are signatures, incomplete descriptions of work, basis for estimate, dates, etc.

1P019 letters should be sent to departments when it is apparent that the work has begun before the last required approval, including the Payroll stamp, has been obtained.