



**Finance and Operations
Office of the Vice President
Memorandum**

October 1, 2009

TO: Budget Heads and Program Leaders
CC: Administrative Associates
FROM: Sheri Tonn
SUBJECT: Contract Review Process

The volume of contracts for services and goods has increased dramatically over the past few years. Because of this, Finance and Operations has worked to provide a streamlined review process and clear guidelines. A majority of contracts, agreements, leases, and memorandums of understanding (MOU) are written in favor of the creator of the contract. In order to minimize the risk to the university and to university employees, students and guests, Finance and Operations (FIOPs) is responsible for reviewing contracts, agreements, leases and MOUs for the university. This includes contracts for services and purchases such as rental or purchase of facilities, equipment, construction, supplies, etc.; service agreements for use of software, equipment, etc.; maintenance contracts and leases for facilities, equipment, etc. FIOPs will review these documents to insure they provide the university the best service and/or product possible.

Contracts are reviewed for the following components.

- clear description of the product or service provided by the contract
- the total cost and possible unexpected expenses
- delivery schedules
- copyright and trademark issues
- arbitration language and legal jurisdiction
- breach remedies
- confidentiality and information security
- indemnification clause (mutual, indemnification for employees, students, directors, officers)
- insurance requirements (additional insured status, certificates of insurance)
- Information & Technology Services (I&TS) requirements
- liability language (who is liable for damage to equipment/premises or for injuries)
- ownership of the product
- relationship between parties (partnership, joint venture, employer-employee)
- representations and/or warranties (standards of performance, violation of other agreements, etc.)
- responsibilities of PLU
- responsibilities of the individual/company who is a party to the contract
- responsibilities of third parties

- termination clause
- American Recovery and Reinvestment Act, Davis Bacon Act, and other certifications

Department Budget Heads may review and sign contracts that are valued for \$7500 or less, where the risk is low and university's liability is limited.

Low risk, limited liability contracts include contracts for:

- space/facility rental
- catering
- supplies

Department Budget Heads should not sign contracts that are valued over \$7500 or where the risk is high, the university's liability is not limited and/or the university is indemnifying the individual/company for all charges and liabilities.

High risk contracts include:

- contracts for any services/purchases that involve any form of transportation of employees, students or guests
- contracts/services that present a risk of physical damage/harm to PLU facilities, equipment, employees, students or guests
- contracts/agreements/MOUs for students volunteering or interning in the community or for independent study experience

Many innocuous looking contract and agreements have potential risk and liability. FIOPs is always willing to review and provide advice on negotiating contracts. If there is a question on whether a contract needs to be reviewed by FIOPs, please consult with the PLU Risk Manager, Sue Liden x7116.

The review process will take a minimum of 5 business days depending on the complexity of the contract. In addition to review by FIOPs, some contracts will also need to be reviewed by I&TS or other PLU departments and/or some may need to be sent to PLU's attorney for legal review. If the contract needs to be reviewed by others or requires changes, the review process may take longer. Certain contracts/agreements require both the signature of the Department head or Division head or another vice president as well as the signature of the Vice President for Finance and Operations. In those circumstances, those contracts/agreements should be reviewed by those individuals prior to being sent to FIOPs for review.

Process for review:

1. Provide an electronic (preferred) or hard copy of the contract to FIOPs at fiop@plu.edu. Include the following information with the contract: PLU point of contact (name, extension and e-mail) and point of contact for the other party to the contract/agreement (individual/company name, phone number and e-mail). Insure that any fees included in the contract are accurate.
2. PLU's Risk Manager, Sue Liden, will review the contract to determine if it should be reviewed by other PLU departments, PLU's attorney or if there are any changes that need to be made to the contract.
3. PLU's Risk Manager will notify the PLU point of contact if the contract needs to be sent out for further review or requires changes.
4. If changes are required, PLU's Risk Manager will consult with the PLU point of contact referencing the required changes to determine who will negotiate these changes with the individual/company point of contact.

5. Once a contract has been approved, the PLU point of contact will provide two copies of the approved contract to the individual/company point of contact and request they return both copies with original signatures.
6. The two copies with original signatures will be sent to the Department/Division head for signature if required and then forwarded to FIOPs for the signature of the Vice President for Finance and Operations or the Associate Vice President for Finance. FIOPs will retain one original copy of the contract in their files and will share contract information with the Business Office. The other original contract will be returned to the PLU point of contact. The PLU point of contact should make a copy for their department files and return the original to the individual/company point of contact. The Department should always keep their copy of the contract for the duration of the agreement.
7. If the individual/company requires that PLU name them as “additional insured” and provide them a certificate of insurance, PLU’s Risk Manager will provide this document.
8. The PLU point of contact should arrange for payment through the PLU purchase process only after the contract is signed.

Please contact Finance and Operations at extension 7121 or 7116 if you have any questions, concerns or issues not discussed in this memo. This guidance will be posted on the Finance and Operations website www.plu.edu/fiop.