



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

TO: Budget Heads and Program Leaders

CC: Administrative Associates

FROM: Allan Belton, Vice President, Finance and Administration

DATE: July 6, 2015

SUBJECT: Updated Contract Review Process

In order to achieve the strongest contract possible and provide legal protection to the university and to university employees, students and guests, Finance and Administration (FADMIN) is responsible for reviewing all contracts, agreements, leases and memoranda of understanding (MOU). This includes contracts for services and purchases such as rental or purchase of facilities, equipment, transportation, construction, and supplies; service agreements for use of software and equipment; maintenance contracts and leases for facilities and equipment. A majority of these documents are written in favor of the vendor. Most vendors will accept changes to gain university business. As you receive documents from vendors please complete a **contract review form** (attached) and send it along with the contract to the Finance and Administration office.

Contracts will be reviewed for the following components.

- clear description of the product or service provided by the contract
- the total cost(including sales tax, shipping, and installation) 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, including renewal terms
- compliance with federal and state regulations
- possible conflicts with existing contracts

Where the risk is low and university's liability is limited, department Budget Heads may choose to review and sign contracts that are valued at \$7,500 or less. The signer must retain the original contract and send a copy (via hard mail or email) to Finance and Administration for our records.

Low risk, limited liability contracts typically include:

- space/facility rental
- catering
- supplies

Department Budget Heads should not sign contracts that are valued over \$7,500 or where the risk is high or unassessed, 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 contracts and agreements have potential risk and liability. They may also be difficult to terminate. FADMIN is always willing to review and provide advice on contract negotiation. If there is a question on whether a contract needs to be reviewed by FADMIN, please consult with the Director of Risk Management and Insurance, x7116.

The review process will take a minimum of 5 business days depending on the complexity of the contract. In addition to review by FADMIN, some contracts will also need to be reviewed by I&TS, Business Office, other PLU departments or possibly require legal review. If the contract needs to be reviewed by others or requires significant 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/Provost as well as the signature of the Vice President for Finance and Administration. Those individuals should review the contract/agreement prior to it being sent to FADMIN for review.

Process for review:

1. Provide an electronic (preferred) or hard copy of the Contract Review and Approval Form and the contract to FADMIN at fadmin@plu.edu.
2. Insure that the scope of work and any fees included in the contract are accurate and provide a summary of the purpose for the contract if it is not clearly explained in the contract.
3. Provide the source of funds to pay any fees associated with the contract.

4. PLU's Director of Risk Management and Insurance will review the contract to determine if it needs to be reviewed by other PLU departments, PLU's attorney or if there are any changes that need to be made to the contract. Please call her at x7116 if you have questions.
5. PLU's Director of Risk Management and Insurance will notify the PLU point of contact if the contract needs to be sent out for further review or requires changes.
6. If changes are required, PLU's Director of Risk Management and Insurance 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.
7. 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. One copy may be used if the signed agreement is to be faxed or emailed.
8. The two documents with original signatures will be sent to the Department/Division head for signature if required and then forwarded to FADMIN for the signature of the Vice President for Finance and Administration or the Controller. FADMIN 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. Destruction or disposal of contracts should follow the PLU document retention policy.
9. If the individual/company requires that PLU name them as "additional insured" and provide them a certificate of insurance, PLU's Director of Risk Management and Insurance will provide this document.
10. The PLU point of contact should arrange for payment through the PLU purchase process only after the contract is signed.

Please contact Finance and Administration 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 Administration website www.plu.edu/finance-admin/.

7-6-2015 (Updated)

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