

## **CONTRACTING ON BEHALF OF THE UNIVERSITY**

The establishment of properly authorized contracts based on sound business practices, prepared in accordance with State of Illinois Procurement Code (30 ILCS 500), Administrative Rules (44 Ill. Admin. 4) and Comptroller's guidelines, provides the University with the necessary documentation to insure delivery of materials and services while adhering to State purchasing requirements.

### **Two-Party Contract**

A two-party contract is required for the purchase of goods or services that are \$20,000 or above in expected costs. Contracts are used regardless of funding source: i.e., grants, local or general revenue funds. A contract is issued in conjunction with the purchase order to outline and define a vendor's specific service responsibilities and obligations. The contract documents the specific terms and conditions of the expected services and ensures that potential disputes will be minimized.

It is in the best interest of the University to construct our contracts with as much specific information pertaining to the service expectations as possible. A written contract contains the terms and conditions that will determine the rights and duties of the parties and provides the basis for resolving disputes. It also spells out specific certification clauses required by State law. It is forward looking and contemplates future conduct with an eye toward the risk of supplier non-conformance or non-completion of the contract terms and conditions.

### **Contents of a Contract**

A very common type of contract for services is a consulting contract. A well-constructed consulting contract should spell out such things as:

- The scope of the work to be performed and or materials to be supplied
- When the contract will begin and end
- How satisfactory completion of the work is to be determined
- A project timeline with a statement of performance deliverables and reporting requirements
- A breakdown of costs by hourly rates; fixed costs; reimbursable expenses; and "not to exceed" amounts
- The method, determination, and frequency of progress payments
- Insurance or bonding requirements, if applicable
- The University contact person
- The responsibilities of the University
- Conditions of termination
- Provide an option for post contract performance review

In addition, the contract should specifically refer to any documents that were issued to create the final understanding of the service to be provided. These documents may include the following:

- A copy of the Request for Proposal, or copy of the expected performance specification
- A copy of the supplier proposal
- Copies of any referenced price sheets; discounts; or hourly labor and service rates

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- Negotiation results
- Meeting minutes
- Last minute changes
- Specifications or drawings
- Certificate of insurance
- Performance and payment bonds, if applicable
- Letters of reference and credentials

A well written contract is essential to the execution of a smooth relationship with the supplier. Nothing should be left to chance. The contract should reduce to writing anything that was part of a verbal understanding or a handshake agreement. The contract must include the necessary performance expectations; the baseline for measuring performance; reviews; reporting requirements, and deliverables required for payment. Both parties must understand their rights and obligations in the relationship.

### **Contract Approval**

Each University contract must be signed by at least one of the University representatives specifically authorized to sign contracts on behalf of the University. To insure compliance with this requirement, **unsigned** contracts and/or vendor agreements must be sent to the Purchasing Department for compliance review and to obtain the proper signatures.

In addition, Purchasing may request General Counsel's review of a vendor agreement if it is determined that the agreement contains terms and conditions that are inconsistent with NEIU's standard contract terms. If a purchase order is required in conjunction with the contract, the purchase order cannot be issued until contract approval and execution is attained.

### **Authorized Contract Signatories**

Currently, the University's authorized agent signatories are the President, Vice President of Finance and Administration, Director of Purchasing, and Purchasing Specialist II.

Below are the contract approval and signature thresholds:

- 1) \$20,000 to \$249,999.99 requires 2 signatures: President and (Purchasing Representative or VP)
- 2) \$250,000 or greater requires 3 signatures: President, VP of Finance, and VP for Legal Affairs and General Counsel
- 3) \$100,000 or greater requires Board of Trustees approval
- 4) \$50,000 to \$99,999.99 are reported to the Board as Informational Items.

### **Filing a Contract with the Comptroller**

The State of Illinois requires that all contracts exceeding \$20,000 be filed with the Illinois Comptroller's Office (30 ILCS 500/20-80) within 30 calendar days of contract execution.