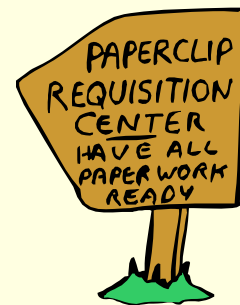


# PURCHASING BOOT CAMP

2.17.09

## CONTRACTS 101



# What is a contract?

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- A contract is created when there is an offer, acceptance, and consideration. It can be either oral or written but for our purposes today, a contract will be a document in written form.
- Only certain University administrators have authority delegated from the President to sign contracts
- Contracts generally cannot exceed five (5) years

# Typical purchase process

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- Department identifies need
- Vendor quote is obtained
- Requisition is created
- Purchase order is issued
- Goods are received
- Invoice is paid

# Common Types of Contracts

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- Purchase Order - an order issued on the University's standard form for the procurement of goods and/or services
- Single-Page Contract/Renewal – a contract associated with a Request for Proposal
- Consulting Agreement – a contract for professional services
- Supplier Contract – a contract provided by a supplier that requires modifications to meet University, Arizona Board of Regents, and State of Arizona requirements

# Purchase Order

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- Used for the purchase of goods and/or services
- May be a blanket order which allows for the payment of multiple invoices
- Has a unique number based on responsible buyer
- Contains terms and conditions on the reverse side



# Single-Page Contract

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- Used in combination with a Request for Proposal or Invitation to Bid and incorporates all University required terms and conditions
- Used for simple commodity/service purchases when specifications and timelines are precise
- Used to renew or extend current contracts
- ***\*\*NOTE: Departments are not allowed to use the services of a vendor or purchase goods until Purchasing has a signed contract on file.***

# Consulting Agreement

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- Independent Contractor – not an employee of the University
- The definition/scope of the work must be as specific as possible
- Timelines and deliverables must be identified
- Payment amounts and terms are defined

# The following documentation is required for Consultants

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- ABOR Agreement for Independent Contractor Consultant Services complete with scope of work, fees for services, and reimbursable expenses identified
  - <http://www.asu.edu/purchasing/forms/pur504-02a.pdf>
- If an individual, Employee/Independent Contractor Determination Checklist approved by Financial Services
  - [http://www.asu.edu/fs/forms/independent\\_contractor\\_chklist.pdf](http://www.asu.edu/fs/forms/independent_contractor_chklist.pdf)
- **Certificate of Insurance:** Depending upon the scope of work, Purchasing has simplified checklists available that outlines the specific requirements
  - If applicable, a Sole Proprietor Workers Compensation form [http://www.asu.edu/uagc/EHS/forms/sole\\_proprietor\\_waiver.doc](http://www.asu.edu/uagc/EHS/forms/sole_proprietor_waiver.doc)

# Certificates of Insurance

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- Required by Arizona Department of Administration, Risk Management Division
  - Provides proof of General and Auto Liability, Workers Compensation, and Professional Liability coverage
  - Standard minimum requirements depending upon type of service and risk to the University
    - However, Purchasing does have the authority to waive some of the requirements based on risk factors to the University. Requests for waiver of insurance must be in writing and need to include justification.
  - Required from suppliers **before** work commences
- \*\*WHEN INSURANCE IS REQUIRED, A PURCHASE ORDER WILL NOT BE ISSUED UNTIL AN APPROVED CERTIFICATE IS RECEIVED BY PURCHASING\*\***

# Supplier provided contracts require modifications

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- Proper name of the University
- Term and renewals
- Confidentiality clauses
- Indemnification clauses
- Insurance clauses
- Choice of governing law
- Addition of State of Arizona Provisions

# Additional Types of Contracts

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- The University has access to many contracts through its association with other entities and cooperatives
- Departments are urged to call the specific commodity buyer to determine if a contract exists that may be utilized. A list of buyer responsibilities can be found at [http://uabf.asu.edu/commodity\\_buyers](http://uabf.asu.edu/commodity_buyers).

# Examples

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- University-wide contracts (computers, furniture, moving, travel (hotels/rental cars/bus charters), office supplies, Web developers, etc.)
- Sister University contracts (NAU/UofA)
- State of Arizona contracts
- Intergovernmental contracts
- Cooperative contracts such as \$AVE, E&I, Provista, WSCA, and TCPN

# Signature Authority

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- PUR 202: Contract Signature Authority
  - Authority is delegated by the President
  - Identifies what documents/contracts a department can sign – only those individuals in the position shown may sign
- ***REMEMBER: Individuals can be held personally liable when signing contracts when they do not have the proper authority to do so***

# Avoid the “Front Page”

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A Charlotte, NC, lawyer purchased a box of very rare and expensive cigars then insured them against fire among other things. Within a month having smoked his entire stockpile of these great cigars and without yet having made even his first premium payment on the policy, the lawyer filed claim against the insurance company. In his claim, the lawyer stated the cigars were lost “in a series of small fires.” The insurance company refused to pay, citing the obvious reason: The man had consumed the cigars in the normal fashion.

The lawyer sued...and won! In delivering the ruling the judge agreed with the insurance company that the claim was frivolous. The Judge stated nevertheless, the lawyer held a policy from the company in which it had warranted that the cigars were insurable and also guaranteed that it would insure them against fire, without defining what is considered to be unacceptable fire, and was obligated to pay the claim. Rather than endure a lengthy and costly appeal process, the insurance company accepted the ruling and paid \$15,000 to the lawyer for his loss of the rare cigars lost in the “fires”.

NOW FOR THE BEST PART... After the lawyer cashed the check, the insurance company had him arrested on 24 counts of ARSON!!! With his own insurance claim and testimony from the previous case being used against him, the lawyer was convicted of intentionally burning his insured property and was sentenced to 24 months in jail and a \$24,000 fine.

# Contracts Team

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- Pollie Carter
  - Senior Buyer/Contract Specialist
  - [Pollie.Carter@asu.edu](mailto:Pollie.Carter@asu.edu)
  - 480.965.2316
- Lorie Sheppard, C.P.M.
  - Senior Buyer/Contract Specialist
  - [Lorie.Sheppard@asu.edu](mailto:Lorie.Sheppard@asu.edu)
  - 480.727.6954