



2012 Administrative Leadership Conference

UIS Contracts Processing/Purchasing Compliance Requirements

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Workshop Presenters

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Please...

- Turn off cell phones.
- Avoid side conversations.
- Feel free to ask questions anytime.
- Sign the attendance roster.
- Complete the evaluation at the end of the workshop.



Workshop Objectives

- Define types of contracts
- Define content requirements
- Explain signature policies & procedures
- Provide forms
- Purchasing compliance requirements



Purchasing & Authority

The OBFS Purchasing Departments are authorized to establish procedures that facilitate the purchase of equipment, materials, commodities, supplies, general services, and professional & artistic services. No other individual or campus unit has the authority to commit the University to purchasing goods and services, unless that authority has been specifically given to them by the appropriate campus AVP.



Types of Contracts

- Purchase of goods and general services
- Purchase of Professional & Artistic services
- Revenue Generating Agreements
- Miscellaneous contracts
 - Concessions
 - Sponsorships
 - Business Non-Disclosure Agreements



What is a contract?

A University contract is a mutual agreement between the Board of Trustees of the University of Illinois and one or more other parties, creating obligations that are legally recognizable or enforceable.



Contract Elements

- Identification of parties
 - LEGAL names and addresses of parties involved (Unit and Contractor)
 - Specify the Board of Trustees of the University of Illinois on behalf of ...(unit)
- Statement of Purpose
- Statement of Work or Service----SCOPE



Contract Elements

- Terms
 - Beginning date of contract
 - Termination date, ending date of contract
 - Provisions for renewal or extension--no automatic
- Financial Information
 - Basis of payment to or from the University
(such as hourly rate or milestones for payment)
 - Total estimated cost or income to the University
(either actual or “not to exceed amount”)



Contract Elements

- Responsibilities of both Parties
- Bond or other performance guarantee (if applicable)
- Liability insurance
- Confidentiality
- Ownership of data & intellectual property rights
- Certifications (required by University, State or Federal Government--see handout sheet)



Contract Elements

- Signature Block on contract
 - Contractor signature
 - Comptroller of the University
 - If the amount is \$250,000 or more:
 - Chief Legal Officer (Thomas Bearrows or designee)
 - Chief Executive Officer (Robert Easter or designee)



Possible Contract Deal Breakers

- Governing law other than Illinois
- Other party's legal fees--we do not pay these fees
- Indemnification clauses
- Insurance or liability clauses--Risk Management is consulted
- Liquidated damages
- Need termination provision--prefer termination without cause
- Rights to ownership, copyrights and patent rights
- Confidentiality
- No binding arbitration



CARF Signature Process

- **CARF** = *Contract Approval Routing Form*
- Required for contracts over \$5,000
- Always pull this form from the OBFS website to ensure that the most current form is used
- OBFS website>Purchases>Forms>Contracts
- Form requires selection of “Contract Type” & “Contract Subtype”, Brief description
- Completed form is given to BOT Office with fully executed contract (be exact in information)



CARF Signature Process

- Unit Head (required)
- Dean Director (contracts \$25K or more)
- VP/Chancellor/Vice Chancellor (contracts \$50K or more)
- University Counsel (when required)
- University signs contracts *after* Contractor
- Comptroller signature required for execution



Contract Filing Deadline

To meet University & State of Illinois filing requirements, all contracts for \$5,000 or more must be filed with the State of IL Comptroller within 7 days of execution.



Purchasing Contracts

Whenever possible, use standard University templates (forms):

- Contract for Professional & Artistic Services under \$5,000 may be executed by the Unit Head in the name of the Comptroller (Walter K. Knorr) (paid through TEM)
- Contract for P&A Services over \$5,000 must be processed through Purchasing Department (purchase order is used for the payment vehicle)
- Both contracts have statements for HIPAA which are included when contract warrants
- OBFS>Purchases>Forms>Contracts



Purchasing Contracts

- Independent Contractors and other firms sometimes ask the University to sign contracts they have drafted—or to sign permissions or other documents related to the purchase of goods or services.
- If you receive such a request **STOP** and contact the UIS Purchasing Department as soon as possible for assistance.
- **Only the Comptroller or their designees are allowed to sign documents and obligate the University for purchases of goods or services.**



Purchasing Contracts

- What are Professional & Artistic contracts (P & A)?
 - For procurement purposes they are primarily intellectual or creative in nature—such as a performance or a speaker.
 - Services that involve manual skills and labor **are not** considered P & A services.



P&A Contracts

- Services provided under contract to the University by a person or business acting as an independent contractor, **qualified by education, by experience and by technical ability**
- Services are provided by a firm or an individual who is not an employee of the University
- The method of providing the service is left to the discretion of the contractor
- The contractor (non-University employee) is not supervised by the University
- The principle outcome of the service is not a tangible good but a report, recommendation or written product
- The contractor has special talent, training or experience that is not available from University employees



Examples of P&A Services Categories

- Accounting
- Artistic
 - Musicians, Entertainers
- Clinical Psychology
- Data Processing
- Dentistry
- Law
- Management or Administrative Services
 - Billing & Collection, Training (software, systems etc.)
- Marketing/Media Services
 - Editor, Graphic designer
- Medicine



Independent Contractor or Employee

- Does the individual provide essentially the same service as an employee of the University?
- Has the individual previously been paid as a University employee to perform essentially these same tasks?
- Does the University have a legal right to control how the individual will perform or accomplish the service?
- Will the individual supervise or direct University employees as a part of the service provided?
- Is it expected that the University will hire this employee immediately following the termination of the contractual service provided?

If the answer is **YES** to any above questions, the IRS considers the person an employee of the University, not an independent contractor.



Contract Formats

Pre-approved contract formats are available on the OBFS website for:

\$0 - \$4,999.99--contract for Professional & Artistic services with or without HIPAA
(Health Insurance Portability and Accountability Act)

\$5,000 to \$19,999.99--University standard contract—P&A services with or without HIPAA

\$20,000 or more for the life of the contract: Bid or Request for Proposal (RFP) must be completed before a contract will be issued



Contract for P&A Services \$0 to \$4999.99

- Limit is \$4,999.99 for a one-time payment/event
- Simple two-party contract form pre-approved by University Legal Counsel and Risk Management
- Download Contract for Professional and Artistic services for <5,000.00 from: OBFS web site>Purchases>Forms>Contracts
- Complete **TWO ORIGINALS—PRIOR TO THE COMMENCEMENT OF SERVICES**
- Obtain contractor and unit signatures, Walter K. Knorr signature
- Contractor & Unit each retains one original copy
- Prepare TEM transaction for payment



Contract for Services \$5,000 to \$19,999.99

Contract for P&A or General Services over \$5K

Unit Actions:

- Complete CARF and PASIF (Professional and Artistic Information Form)
- Submit CARF, contract elements and details and/or PASIF to Purchasing
- Unit to complete requisition to be used for payment vehicle



Contract for Services \$5,000 to \$19,999.99

Purchasing Actions:

- Review contract content, best practices, compliance with policies, uniformity etc.
- Negotiates with contractor when required
- Obtains contractor signature
- Obtains official University signatures on contract
- Completes purchase order
- Distributes executed contracts to appropriate parties

SERVICES MUST *NOT* BEGIN UNTIL CONTRACT IS FULLY EXECUTED



Contract for P&A Services for \$20,000 or more

- Competitive selection process is required for P&A procurements over \$20,000 for duration of a contract including renewals when more than one contractor is available to provide services
- The Request for Proposal (RFP) process allows department to select best qualified contractor with the best value for the required services
- Units should allow at least two months for the RFP process to be completed



Revenue Generating Contracts

A written revenue generating agreement is required whenever a University unit is providing services or access to University facilities for which payment will be received from an outside entity.



Revenue Generating Agreements

What are they?

- Professional services such as consulting, educational programs, health care services, counseling, survey research and training
- Vending services (beverage & food vending machines) and franchising operations
- Entertainment and other events held on University premises
- Sponsorships for which the University provides acknowledgment opportunities in return for contributions or donations
- Leases or rentals of University property, such as real estate, facilities or equipment



Revenue Generating Agreements

Units should consider the following in evaluating the feasibility of providing services and/or facilities:

- Relevance of providing services/facilities to the University's mission
- Insurance requirements (See Section 6, Insurance Policy & Procedure Manual)
- Availability of unit resources to provide the requested services (personnel, facilities, time equipment, etc.)
- Potential damage to the University property, equipment
- Cost of providing services/facilities compared to the anticipated return
- Client's financial liability and ability to pay



Revenue Generating Agreements

Revenue Generating contract templates are available on the OBFS website>Purchase>Forms>Contracts

- Services generating less than \$5,000
 - Agreements may be executed by the unit head with Walter K. Knorr signature
- Services generating \$5,000 or more
 - Agreements must be routed through Purchasing for the University contract signature process
 - Reference Policies & Procedures manual section 22.1 for more information:
<http://www.obfs.uillinois.edu/cms/One.aspx?portalId=909965&pageId=1154326>



Revenue Generating Agreements

- Competitive Selection Process

It is in the University's best interest to enter into revenue generating agreements based upon a competitive selection process. Such agreements may involve partnerships with external entities for services provided on University premises. The process produces the potential of greater revenue when potential clients have to compete. The UIS Purchasing Department is responsible for conducting this process.

- Responsibility for Management of Agreement

The unit is responsible for the management and administration of each revenue generating agreement within the unit. This responsibility includes establishing and maintaining adequate internal controls. The Unit should:

- Conduct periodic meetings with client to review the scope of services
- Review the agreement in advance of termination date
- Properly record the revenue and corresponding Accounts Receivable in Banner
- Utilize the University's centralized billing and collection system



Miscellaneous Contracts

- **Concessions**

- A concession is the use of University property by third parties, independent of services provided by the University, for which the University receives compensation.
 - Licenses of University trademarks & athletic logos
 - Agreements that generate royalty income

- **Sponsorships**

- Sponsorships are money, goods or services from organizations or individuals outside the University provided to underwrite specific activities by the University.



Miscellaneous Contracts

- Business Non-Disclosure Agreements
 - Background
 - Purpose--to protect a party's confidential information
 - Separate agreement or part of a larger agreement
 - Unilateral or Bilateral
 - Issues to Consider
 - Definition of Confidential Information
 - Duration of Confidentiality Obligation--normally 3-5 years from disclosure
 - Fact/Existence of agreement cannot be confidential but certain terms may be confidential



Contract Compliance

- Purchase of services agreements
 - Document performance
 - Monitor payments to vendor
- Revenue Generating Agreements
 - Monitor payments received
 - Withhold deliverables for non-payment



Purchasing Contracts Quiz

There are a number of basic elements that make up a contract.

Can you name one?



Purchasing Contracts Quiz

What is the difference between Professional and Artistic Services and General Services?



Purchasing Contracts Quiz

Where can you find a Contract Approval Routing Form (CARF)?



Purchasing Contracts Quiz

What is the only name that is authorized to sign a contract for services over \$5,000 for the University of Illinois?



Illinois Procurement Code

All procedures used by the Purchasing Department are established according to the Illinois Procurement Code [30 ILCS 300]

- In accordance with the Code, The Chief Procurement Officer of Higher Education sets the bid authorization levels. Annual adjustments are based upon the Consumer Price Index. The current levels are:
 - Supplies/services (including equipment) \$53,700
 - Construction \$75,300
 - Professional/Artistic services \$20,000
- Illinois State Procurement laws mandate that Bids/RFP's/Sole Source procurements be advertised for a minimum of 14 full days on the Illinois Public Higher Education Procurement Bulletin



Sealed Bid Specifications

Sealed Bids are used when price is the most important criteria in making an award. It is the requisitioner's responsibility to provide to Purchasing full and complete specifications for the products they are requesting to be purchased.

- Information should minimally include:
 - Description/product #
 - Quantity and units required
 - Cost estimate/budget
 - Desired delivery dates/schedule
 - Names and addresses of potential respondents



Request for Proposal (RFP)

- The RFP is the appropriate competitive process for purchasing goods or services when price is not the most important criteria to be considered for awarding the contract
- The RFP is awarded to the supplier who best meets the qualifications and criteria specified in the RFP
- It may involve negotiating technical requirements, scheduling, type of contract, terms and conditions, and price, including Best and Final offers. In contrast, a sealed bid is awarded to the lowest cost responsible bidder for the items required.
- It is the responsibility of the unit to provide Purchasing with complete specifications for the products or services requested.



Sole Source Purchases

- Requirement (service or commodity) is only available from a single supplier
- Only one supplier is deemed economically feasible
- Unit should complete and submit a Sole Source Justification form to Purchasing located on the OBFS website
 - OBFS website>Purchases>Forms>[Justification for Sole Source Purchases or Contracts form](#)
 - Sole Sources are not renewable--justification must be submitted and reviewed annually



Activities involved in the Bid/RFP Process

- Develop RFP/Sealed Bid/Invitation for Bid
- Advertise RFP/Sealed Bid/Invitation for Bid
- Pre-proposal conference/University site visit if required
- Bid Opening/Bid qualification of potential supplier(s)
- Unit evaluation of proposals/bids
- Proposer Presentations (if required)
- Best and Final Offers from Contractors
- Unit Award Recommendation
- Post award on Bulletin and receive waiver from PPB
- CARF & Contract, iBuy or Banner requisition
- BOT approval if required
- University executes contract/issues a Purchase Order



Non-conforming Orders

- Non-Conforming orders were highlighted in the State of Illinois audit and the University was directed to establish a procedure to prevent after-the-fact purchases.
- A Non-Conforming order is an after-the-fact purchase and means that the request for purchase order, contract and change order or procurement action is submitted to Purchasing *after* the receipt of goods or services by the end user.
- A purchase order is a contract document. The Policies and Procedures manual states that a fully executed document is required ***BEFORE*** goods or services can be obtained.



Procurement Policy Board (PPB)

- All procurements and awards made through a competitive bid process, as well as Sole Source procurements are subject to a review by the PPB.
- The PPB was established as an independent State agency with the authority to hold hearings regarding the implementation and administration of the Illinois Procurement Code, to review specific procurement transactions, and to recommend policy regarding those transactions.
- The PPB is required by law to review procurements (Sole Source, Bid/RFP) that are posted on the Illinois Public Higher Education Procurement Bulletin prior to the issuance of a contract or purchase order. They have 30 days to grant a purchase waiver, request more information about the transaction or conduct a more in-depth review. A purchase order or contract cannot be issued until approval has been received from the PPB or the 30-day review period has ended.



Board of Trustees of the University of Illinois

- The following purchase transactions require approval by the Board of Trustees:
 - Professional & Artistic services requiring payment by the University in one fiscal year: \geq \$1,000,000
 - Supplies, equipment and general services requiring payment by the University in one fiscal year: \geq \$1,000,000



Purchasing Quiz

What is the State of Illinois limit for P&A services before they must be submitted for a RFP process?



Purchasing Quiz

What is the name of the State of Illinois agency which is charged with the responsibility to review procurement awards?



Purchasing Quiz

Illinois State Law mandates that all bids/RFPs and Sole Source procurements be advertised in what Publication?

How many days must it be published?



Additional Purchasing Information

- OBFS Policies and Procedures Manual
 - <http://www.obfs.uillinois.edu/bfpp/>
 - Section 2.2--Approval of Financial Documents
 - Section 2.3--University Contracts & Leases
 - Section 22.1--Revenue Generating Activities
 - Section 7 -- Purchasing & P-Card Information
 - Section 17--Consultants, Independent Contractors and Honoraria



UIS Purchasing Goal

- UIS Purchasing goal is to provide a high level of customer service to the campus community
- Customer service does not mean that we will ignore the rules to help departments—*Please don't shoot the messenger*
- UIS Purchasing will take all actions necessary to help units accomplish their procurement requirements by advising them about purchasing rules and best business practices and help them to navigate through the purchasing rules
- Our job is to protect you



Teamwork

UIS Purchasing Department will work as a team to fulfill your procurement requirements

Please call: Mike Bloechle (206-6653)

Jill Menezes (206-6651)

Beth Gorsich (206-6606)

if you need assistance with your purchasing needs



Purchasing Guide

Reference handout



Questions / Concerns?

Thank you for coming today!