HSC OP: 54.02, **Contracting Procedures**

PURPOSE: The purpose of this Health Sciences Center Operating Policy and Procedure (HSC OP) is to outline the procedures to be followed in the development, negotiation, and approval of all contracts and agreements, [except for research, construction and sponsored projects] for any purpose and for any amount between Texas Tech University Health Sciences Center and other parties.

REVIEW: This HSC OP will be reviewed on June 15th of each odd-numbered year (ONY) by the Director of Contracting, with recommendations for revisions forwarded to the Executive Vice President for Finance and Operations by July 1.

POLICY/PROCEDURE:

1. **Approval and Execution of Contracts.** No person has the authority to commit Texas Tech University Health Sciences Center, (e.g., enter into agreements) for any purpose except as authorized in *Regents' Rules*, Section 07.12, and HSC OP 10.11, "Delegation of Authority by the President."

   A brief summary of the proper procedures to follow to enter into an agreement with a third party can be obtained by contacting Contracting Office personnel or from the Contracting website which includes a Contract Management Handbook. The Contracting Office is the office of record for all TTUHSC contracts. The fully executed contract image will be maintained in the contract system [except those for research, construction, and sponsored projects].

   TTUHSC personnel involved in procurement or contract management shall receive training and continuing education, including ethics, to the extent required by rule of the State Purchasing and General Services Commission.

2. **Management of Contracts**

   Each contract must have a Contract Manager to oversee all aspects of the contracting process and to ensure that the parties meet their contractual responsibilities. The Contract Manager is normally the department administrator or an employee with job skills similar to that of a department administrator. Effective contract management practices, by the Contract Manager, help ensure that TTUHSC receives full value for each dollar spent and collects all funds to which it is entitled to under the contract. The Contract Manager will have responsibilities as follows:

   a. Negotiate and draft the initial contract.

   b. Develop the contract as outlined in paragraph 3 below, and include contract provisions that hold all parties accountable for performance results and outcomes.

   c. Submission of the agreement document into the Contracting System for review, approval, and TTUHSC authorized signature(s).

   d. Obtain and return a fully executed agreement to the Contracting Office.

   e. Ensure the collection, review, and maintenance of any required business associate agreements, certificates of insurance, independent contractor questionnaires, and performance bonds.

f. Manage the contract to ensure that TTUHSC receives the agreed consideration established in the terms of an income contract, or receives the goods and services at the agreed upon cost in an expense contract.

g. Monitor the contract to timely initiate amendments, renewals, and termination notices as may be required.

h. Address all issues concerning the contract that may arise during the term of the agreement including monitoring and enforcement of contract terms.

i. Monitor the income or expense amounts to ensure compliance with Section 07.12 of *Regents' Rules* as it relates to contracts that require approval of the Board of Regents.

3. **Development of Contract.**

a. The TTUHSC department, office, or function desiring to contract with an outside party shall develop the initial contract, address possible fiscal implications, and consider any other matters which may be significant. All aspects of the contract will be the responsibility of the Contract Manager that is fully described in paragraph 2 above. The Contracting Office is available to assist in contract negotiations or questions upon request of the TTUHSC department. This procedure should begin well in advance of the effective date in order to process the contracts in a timely fashion. The responsibility for drafting the written contract will be with the Contract Manager requesting the service. See the Contracting website for Office of General Counsel approved template contracts and drafting assistance. All Contract Managers should be familiar with the Contracting Office website and tools available to assist in drafting and monitoring contracts.

b. Once the contract has been developed, the Contract Manager will submit the contract document into the Contracting System for review, approval, and TTUHSC authorized signature(s). The necessary departmental approvals are generated by the Contracting System, in the form of a contract routing sheet upon submission. The Contract Manager must express the total contract dollar value and annual dollar value that is the best estimate of anticipated revenue or expense on the routing sheet. Expense contracts are subject to additional procedures as shown below in paragraph 4.

c. The Contracting Office will review the contract in accordance with institutional policy, determine legal and/or fiscal attributes, and assign the proper signatory authority in accordance with *Regents' Rules*, Section 07.12.

d. The Contracting Office will process ***all*** contracts to obtain final approval and TTUHSC signatures as required in *Regents' Rules*, Section 07.12, and return the TTUHSC executed document to the Contract Manager. Contract Managers are responsible to obtain and return a fully executed agreement to the Contracting Office. ***Contract Managers are cautioned that no commitments or other action should be taken on the contract until final execution by the authorized officers or approval by the Board of Regents has been obtained***.

4. **Expense Contracts**

a. When the Contract Manager has submitted a contract, a TechBuy requisition must be completed to authorize services and payment.

b. In the "Internal Note" section of the TechBuy requisition, it is requested that the numeric contract number be provided.

c. The quantity and unit must be applied as most appropriate for the terms of the contract. The dollar value of the TechBuy requisition should be provided as the best estimate of the current fiscal year anticipated expense.

d. The TechBuy requisition will not be finalized to a purchase order until all of the required signatures have been obtained and the contract is activated in the contracting system.

e. A department does not have the authority to obligate the institution. Therefore, services are not to begin without a properly and fully executed contract, i.e, a contract that has been (1) submitted via the appropriate TTUHSC OP review and approval process, and (2) signed by the authorized signatories of each party to the contract. Contract Managers must submit the contract allowing enough lead time for the contracting process prior to the date services are needed. No invoice will be paid until the contract has been fully executed.

5. **Renewal Contracts.**

The Contract Manager is responsible for maintaining a schedule of contract expiration dates and for beginning negotiations well in advance of the expiration date when it is necessary to renew an expiring contract.

6. **Expense Contract Renewal.**

a. Each expense contract renewal or auto-renewing expense contract requires the submission of a new requisition to appropriately encumber funds for each fiscal year. Therefore, each Contract Manager will need to review their open expense contracts and submit a requisition for the next fiscal year stating the amount of funds that is appropriate for that contract for the fiscal year. Fiscal year encumbrance requisitions for contract(s) should be received by the Purchasing Office at least 45 days prior to the beginning of the new fiscal year.

b. The following specific information is needed within the requisition form when submitting “encumbrance only” orders for contracts:

i. If the contract will be for a fixed amount each month, then a TechBuy Non-Catalog Form should be completed. If the contract will be for a variable amount each month, then a TechBuy HSC Standing Order Form should be completed.
ii. Provide the specific compensation factors of your contract in the general item information section of the TechBuy order form. Consider all amendments when applying this information. The Contracting Office will verify the accuracy of this information when reviewing the requisition.
iii. The quantity and unit must be applied as most appropriately applies to the terms of the contract. The dollar value of the requisition should be provided as the best estimate of the current fiscal year anticipated expense. If it is felt that encumbrance for the entire year isn’t possible, a dollar amount should be provided that will take the contract as far out as possible before a manual encumbrance modification is required.
iv. Provide the contract number in the ”Internal Note” field of the TechBuy requisition.
v. Attach an electronic copy of the contract if available.

c. When reviewing contracts for the purpose of submitting requisitions, be sure to note the contract start and end dates, rates, renewal clauses, etc. If anything requires amending, please contact the Contracting Office.

d. If contracts are expired or if funds have not been encumbered for the new fiscal year, payment of invoices will be delayed until the problem(s) are rectified.

7. **Distribution of Signed Agreements.**

Making electronic copies of the agreement available on the Contracting Website, for documentation and billing purposes, is the responsibility of the Contracting Office.