A. Introduction
Contract administration is the process of managing contract formation, execution, and assessment to maximize financial and operational performance and minimize risk. Good contract administration procedures are critical to the efficient and effective use of public funds for Midwestern State University (MSU) to achieve its mission.

1. MSU Policy 2.24 (Approval and Execution of University Contracts) establishes the authority for the University to approve and execute contracts and requires the University’s administration to develop and implement these Contract Administration Procedures for all contracts.

2. These Contract Administration Procedures are designed to ensure that:
   a. MSU contracts are in proper form and legally sufficient and minimize legal, financial, and related risks;
   b. MSU’s procurement process fairly and objectively selects the best contractors and the University pays a fair and reasonable price for goods and services;
   c. MSU’s contract provisions and contractor oversight are sufficient to hold contractors accountable for delivery of quality goods and services; and
   d. MSU monitors its contracts to assure proper execution and performance and annually assesses these procedures and implements identified improvements.

3. MSU officers and employees involved in any way with the contracting process must:
   a. be familiar with Policy 2.24 and these Contract Administration Procedures; and
   b. act in accordance with Policy 3.314, Ethics Policy for Employees of Midwestern State University.

B. Definition of Contract
1. Contract: an agreement between two or more parties who intend to create legally enforceable obligations.

2. There are many types and variations of contracts including, but not limited to:
   - agreements
   - licenses
   - easements
   - memorandums of understanding
   - grants
   - purchase orders
   - leases
   - terms and conditions
   - letters of intent

3. These contract administration procedures apply to:
   a. any type of contract that binds MSU and/or obligates MSU to provide payment, services, goods, or use of MSU property, facilities or other resources; and
   b. any amendment, alteration, change, change order, correction, extension, modification, renewal of a signed contract, or a subsequent services contract.
C. Advance Contract Review Requirements

1. Initiating the Process
   a. The contract review process begins with the initiating department.
   b. No person has the authority to bind the University contractually except in accordance with Policy 2.24 and these Contract Administration Procedures.
   c. All University contracts must be in writing and in the name of the University (not in the name of an individual, college or school, or department) and comply with applicable federal and state law (e.g., state purchasing requirements) and MSU policies and procedures.
   d. Oral contracts are prohibited.
   e. The University official overseeing the initiating department shall designate an employee from that department (“contract liaison”) who will work closely with the Purchasing/Contract Administration Office through each stage of contract administration. The contract liaison’s responsibilities include, but are not limited to:
      (1) assisting in developing contract specifications;
      (2) ensuring proper completion of the Contract Routing Sheet;
      (3) monitoring the vendor’s/contractor’s progress and performance;
      (4) authorizing payments consistent with contract documents; and
      (5) maintaining appropriate records.
   f. Most University purchases are made using a purchase order (standard contract stating the terms of the agreement with a contractor/vendor). In addition to a purchase order, it may be beneficial to also utilize a written contract to include additional terms and conditions (i.e. warranties, guarantees, or limitations of liability) not set forth in the purchase order. Contracts substitute for purchase orders most often in cases where services are needed over an extended period of time.
   g. If a purchase is not involved (e.g., affiliation agreements or facility use agreements), a purchase order will not be issued and a written contract is required.

2. Departmental Approval of Contracts
   a. Contracts must be reviewed and approved in advance by the initiating department head and the appropriate supervisor(s) (e.g., Dean / Associate Vice President and/or Vice President).
   b. In addition, contracts should be reviewed and approved by any other department that will need to provide technical support, facilities, services, personnel, and/or security to carry out the MSU’s obligations under the contract. Examples: Information Technology (IT) Department review/approve any software; office of sponsored programs for external funding – grants and gifts.
   c. The initiating department’s contract liaison is responsible for ensuring that approval by the appropriate department(s) and supervisor(s) are properly completed on the Contract Routing Sheet.
   Examples:
      (1) If the University Librarian wants to enter into a contract to purchase new software for the library, the Librarian’s designated contract liaison
ensures that the following approvals/signatures are on the contract routing sheet: (i) the Librarian; (ii) the Librarian’s designated contract liaison; (iii) the IT Department (contributing technical support); (iv) the Provost and Vice President for Academic Affairs (the University Librarian reports directly to the Provost); and (v) the Vice President for Administration and Institutional Effectiveness (approval required on all contracts for information technology).

(2) If the Chair of the University’s Nursing School wants to enter into an affiliation agreement with a hospital, the Chair’s designated contract liaison ensures that the following approvals/signatures are on the contract routing sheet: (i) the Chair of the Nursing School; (ii) the Chair’s designated contract liaison; (iii) the Dean of the College (Nursing Chair reports directly to the college dean); and (iv) the Provost and Vice President for Academic Affairs (the Provost oversees the college).

3. Purchasing/Contract Administration Office

a. After obtaining the approvals by the appropriate department(s) and supervisor(s), the initiating department’s contract liaison shall deliver the contract routing sheet and any attachments (including any tendered contract) to the Purchasing/Contract Administration Office.

b. University contracts are numbered in accordance with the University contract numbering system developed and approved by the Purchasing/Contract Administration Office. The contract numbering system is utilized for purposes of tracking, monitoring, auditing, compliance, and record retention.

c. The Purchasing/Contract Administration Office will assist the initiating department’s contract liaison with the preliminary preparation and review of the contract and related contract administration considerations prior to review, if necessary, by the University’s General Counsel.

d. All applicable state procurement and historically underutilized business (HUB) laws, regulations, policies, and procedures must be followed as a part of the contracting process and indicated on the Contract Routing Sheet by the Purchasing/Contract Administration Office.

e. In sole source procurements (no-bid), the initiating department’s contract liaison is responsible for ensuring that a properly completed sole source procurement form is attached to the Contract Routing Sheet.

f. Procurement and HUB compliance must be indicated on the Contract Routing Sheet by the Purchasing/Contract Administration Office.

(1) Contractor Selection

The University’s procurement process should be sufficient to ensure that the best contractors are selected fairly and objectively and the following best practices observed:

(a) whenever feasible, and unless prohibited by law or other restrictions, contractors should be selected through competitive procurement proceedings;

(b) past performance should be considered in subsequent selection/contract renewal decisions; and
(c) formal documented procedures should be used to assess prospective contractors’ strengths and weaknesses.

If the Purchasing Director certifies that procurement for the proposed contract is a sole source, such certification must be prepared prior to contract execution and attached to the Contract Routing Sheet.

(2) Payment/Reimbursement Methodology

The methods used by the University to establish contractor reimbursement should be sufficient to ensure that the University pays a fair and reasonable price for goods and services and the following best practices are observed:

(a) prior to the contract award, the cost of goods or services, as well as the goods or services themselves, should be analyzed to determine the most effective payment methodology;

(b) approval of proposed contractor budgets should focus on ensuring that proposed expenses are reasonable and necessary to accomplish program objectives and both program results and contractor efficiency should be considered as part of the budget approval process; and

(c) for unit-rate contracts, the rate-setting process should ensure that there is a reasonable correlation between the quality of the services provided, the costs of providing the services, and the rate paid.

g. Upon completion, the Purchasing/Contact Administration Office shall indicate its approval on the Contract Routing Sheet and forward the contract and any attachments along with the completed contract routing sheet and any attachments (e.g., sole source procurement) for approval by the appropriate University official(s).

4. Required Contract Approvals

a. The contract must be reviewed and approved as indicated below and evidenced by (attached to) a properly completed Contract Routing Sheet prior to being signed by a person with delegated authority in accordance with MSU Policy 2.24 (Approval and Execution of University Contracts):

<table>
<thead>
<tr>
<th>Contract Term</th>
<th>Approval Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contracts of $500,000 or more per year (except that the following are exempt from this provision: contracts related to the acceptance of bequests, gifts, or grants to the University, other than real property, in accordance with University policies and procedures; and interagency agreements for the purchase of electricity and natural gas through the Texas General Land Office’s state energy marketing program)</td>
<td>Board of Regents</td>
</tr>
<tr>
<td>Contracts involving the acquisition, purchase, sale, or encumbrance of real property (except that a mineral interest in real property having a monetary cost or value of less than $100,000 is exempt from this provision)</td>
<td>Board of Regents</td>
</tr>
<tr>
<td>Contracts in excess of five years (except that the following are exempt from this provision: a contract that can be terminated without cause with notice of 120 days or less; and leases of mineral rights having a monetary cost or value of less than $100,000)</td>
<td>Board of Regents</td>
</tr>
<tr>
<td>Contracts that involve employment of the President of the University</td>
<td>Board of Regents</td>
</tr>
<tr>
<td>Contracts that involve athletic conference membership</td>
<td>Board of Regents</td>
</tr>
<tr>
<td>Contracts of $500,000 or more per year related to: the acceptance of bequests, gifts, or grants to the University, other than real property, in accordance with University policies and procedures; and interagency agreements for the purchase of electricity and natural gas through the Texas General Land Office’s state energy marketing program</td>
<td>President</td>
</tr>
<tr>
<td>Contracts of $100,000 or more, but less than $500,000 per year</td>
<td>President</td>
</tr>
<tr>
<td>Contracts related to the purchase, sale, or encumbrance of a mineral interest in real property having a monetary cost or value of less than $100,000</td>
<td>President</td>
</tr>
<tr>
<td>Contracts and notices of employment for University personnel</td>
<td>President</td>
</tr>
<tr>
<td>Licenses or other conveyances of intellectual property owned or controlled by the University</td>
<td>President</td>
</tr>
<tr>
<td>Contracts of less than $100,000 per year</td>
<td>President or Appropriate Vice President</td>
</tr>
<tr>
<td>Contracts involving grant proposals for sponsored research, including institutional support grants</td>
<td>President or Appropriate Vice President; Vice President for Business Affairs &amp; Finance</td>
</tr>
<tr>
<td>Contracts involving non-monetary affiliation and clinical agreements</td>
<td>President or Provost and Vice President for Academic Affairs</td>
</tr>
<tr>
<td>Fiscal approval of contracts of $50,000 or more per year (except that all University employment contracts are exempt from this provision)</td>
<td>Vice President for Business Affairs &amp; Finance</td>
</tr>
<tr>
<td>Approval of all contracts for information technology</td>
<td>Vice President for Administration &amp; Institutional Effectiveness</td>
</tr>
<tr>
<td>Approval of all contracts unless using an unmodified standard contract form pre-approved in writing by the Office of General Counsel</td>
<td>General Counsel</td>
</tr>
</tbody>
</table>

b. A contract not reviewed and approved as required by section 4a above is void.
5. **Contract Review by the University’s General Counsel**
   a. All contracts must be reviewed and approved as to form and legal sufficiency by the University’s Office of General Counsel before execution (signature). The Office of General Counsel may approve standard contract forms which, if unmodified, may be used without obtaining further approval from the Office of General Counsel.

   b. If the contract is not an unmodified standard form that has been pre-approved in writing by the University’s General Counsel, the General Counsel will review the contract and accompanying routing sheet to ensure that:
      (1) the contract complies with applicable federal and state law regulations (including state purchasing requirements), and applicable University policies and procedures;
      (2) the parties’ obligations are clearly set forth in the contract and it contains all of the important items;
      (3) contract provisions are sufficient to hold contractors accountable for delivery of quality services and prevent the inappropriate or inefficient use of public funds, and
      (4) the following best practices are observed:
         (a) clear statements of services and goods expected from the contractor;
         (b) clearly defined performance standards and measurable outcomes;
         (c) clear statements describing how contractor performance will be evaluated;
         (d) sanctions sufficient to hold contractors accountable for failing to meet intended objectives;
         (e) appropriate restrictions regarding contractors’ use of public funds; and
         (f) specific audit clauses that allow the University and other oversight entities (e.g., Texas State Auditor’s Office) access to contractor books and records.

   c. Normally, the General Counsel seeks input from the appropriate parties and requests that any necessary changes are made and, if necessary, the contract be resubmitted for further review.

   d. The process is repeated until an appropriate document is developed and ready for signatures. The General Counsel will forward the approved contract (along with the completed routing sheet indicating the General Counsel’s approval) to the Purchasing/Contract Administration Office for submission to the authorized official for signature.

**D. Contract Signature Authority**

1. The advance contract review process must be completed before the contract may be signed on behalf of the University by an individual with appropriate signature authority in accordance with Policy 2.24.

2. It is expected that those authorized to sign contracts have reviewed them and are satisfied with their provisions and that the University’s advance contract review requirements have been followed.
3. The following signature authority has been authorized by the Board of Regents and approved by the President:

<table>
<thead>
<tr>
<th>Contract Term</th>
<th>Signature Approval</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract signature authorization for contracts approved by the Board of Regents, unless otherwise specified by the Board</td>
<td>President or President’s designee</td>
</tr>
<tr>
<td>Contract signature authorization for contracts of $500,000 or more per year related to: the acceptance of bequests, gifts, or grants to the University, other than real property, in accordance with University policies and procedures; and interagency agreements for the purchase of electricity and natural gas through the Texas General Land Office’s state energy marketing program</td>
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<td>Contract signature authorization for all contracts of less than $100,000 per year</td>
<td>President or Appropriate Vice President</td>
</tr>
<tr>
<td>Contract signature authorization for all contracts involving grants for sponsored research, including institutional support grants, and all non-monetary affiliation and clinical agreements</td>
<td>President or Appropriate Vice President</td>
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<tr>
<td>Contract signature authorization for all non-monetary affiliation and clinical agreements</td>
<td>President or Provost and Vice President for Academic Affairs</td>
</tr>
<tr>
<td>Contract signature authorization for all contracts for information technology</td>
<td>President or the Vice President for Administration &amp; Institutional Effectiveness</td>
</tr>
</tbody>
</table>

4. A contract not executed (signed) as required by section D3 above is void. An individual who signs a contract without having the authority to do so may be individually responsible for fulfilling the obligations required by the contract.

5. Once contracts are signed by all parties, the Purchasing Office will create purchase orders (except for contracts not involving a purchase, e.g., affiliation or facility use agreements).
E. Delegation of Signature Authority

1. Delegation of signature authority to a designate may be made by the Chairperson of the Board of Regents or the President of the University only and must:
   a. be in writing;
   b. specify the need for compliance with these contract approval and signature authorization requirements;
   c. be retained by the party making the delegation and the party receiving the delegation; and
   d. a copy of the delegation sent to the Controller, Office of General Counsel, and the Purchasing/Contract Administration Office.

2. The University retains the authority not to recognize a contract as binding against the University unless all signatories to the contract have proper contract signature authority as of the date the contract was entered into.

F. Recordkeeping

1. Except for employment contracts which are maintained by the Human Resources Department, all executed (signed) original contracts subject to these contract administration procedures, including all attachments and the Contract Routing Sheet, shall be:
   a. maintained by the Purchasing/Contract Administration Office; and
   b. maintained in accordance with the University’s records management policy and records retention schedule (Policy 4.125, Midwestern State University Policies and Procedures Manual).

2. The Purchasing/Contract Administration office is responsible for ensuring that all state contract reporting requirements (e.g., Legislative Budget Board) are completed in a timely manner and proper form.

G. Monitoring Contracts

University contracts must be monitored to ensure proper execution and performance.

1. Contractor Oversight
   a. Contractor oversight is one of the key components of an effective system of contract administration. Throughout the life of a contract, the University must hold contractors accountable for delivery of quality services and diligently and regularly monitor both the quality of the services contractors provide and whether contractors are using public funds effectively and efficiently.
   b. The University’s contractor oversight should be sufficient to ensure that contractors consistently provide quality goods and services (by measuring performance against well-documented expectations) and that public funds are spent effectively and efficiently, and the following best practices observed:
      (1) monitoring functions should focus on the outcomes of services provided and the cost-effectiveness/prudence of contractor expenditures in addition to compliance with regulations;
(2) results of monitoring reviews, audits, and investigations should be routinely followed up on to ensure corrective actions have been taken and to identify common problem areas;

(3) a formalized risk assessment process should be used to select contractors for review and identify the level of review necessary for each contractor; and

(4) standardized criteria should be established to evaluate contractor performance.

2. Contract Database Management System
   a. The University’s monitoring procedures are designed to ensure compliance with all significant contract provisions, program requirements, and finance-related requirements.
   b. The University’s Purchasing/Contract Administration Office will maintain and update a current database for the purpose of contract information and monitoring. Upon signature by individuals with appropriate signature authority, all contracts, including any amendment, change order, extension, or renewal of a signed contract shall be added to the University’s contract management system by the Office of Purchasing/Contract Administration.
   c. The system serves as a repository for all contracts that obligate the University, and provides information for tracking and monitoring. The only exception is employment contracts which are maintained by the Human Resources Department.

3. Contract Liaison
   a. Appointment
      When a contract is executed in accordance with these procedures, the designated employee from the University department initiating the contract is appointed as the contract liaison and is responsible for monitoring the contract for proper execution and performance from the start date of the contract through completion and final payment.
   b. Role and Responsibilities
      The contract liaison is responsible for monitoring that contract requirements are satisfied, goods and services are delivered in a timely mannered, safety and risk issues are addressed, and required payments are made. The contract liaison is also responsible for striving to resolve discrepancies and timely reporting of any unresolved discrepancies and/or problems to the administrator who signed the contract and the Vice President for Business Affairs and Finance.

      Upon completion of the contract, the contract liaison will enter completion information into the contract management system. In addition, the contract liaison shall update the status field in the contract management system as of fiscal year end for each open contract and more often if appropriate. Contract amendments, extension, and renewals must also be monitored in the same manner as the original contract.
4. Monitoring Procedures

The procedures a contract owner uses will vary depending on the size, level of risk, and complexity of the contract.

a. Contracts Less Than $10,000

Contracts less than $10,000 should be monitored for performance to ensure goods and services conform to the contract requirements. The contract liaison should report the status on all open contracts less than $10,000 at the close of each fiscal year and upon completion of the contract.

b. Contracts $10,000 and Above

A higher degree of monitoring is required for contracts $10,000 and above. For these contracts, the contract liaison should review the contract to identify deliverables and develop a monitoring plan/checklist for each contract taking into account the level of risk. General factors used to assess the level of risk include, but are not limited to:

1. the dollar amount of the contract;
2. negative impact to the University's safety and/or reputation if the contract is not executed properly and on time;
3. the contractor's past performance; and
4. how experienced the contractor is with the type of work to be performed.

c. At a minimum, the contract liaison should perform the following contract monitoring procedures:

1. monitoring the contractor’s progress and performance to ensure goods and services conform to the contract requirements; depending on the nature of contract, the contract owner may need to conduct one or more site visits;
2. documenting required contractor visits, tests, and significant events;
3. reviewing required reports submitted by the contractor demonstrating compliance;
4. resolving disputes in a timely manner;
5. verifying receipt of contract deliverables in accordance with the contract terms and maintaining detailed supporting documentation;
6. reviewing contractor's invoices and reconciling and verifying payments with the contract terms and maintaining proper documentation; and
7. reviewing compliance with applicable laws, regulations, and policies and consulting with the applicable University department if there are any concerns (Vice President for Business Affairs and Finance, General Counsel, Human Resources, etc.).

5. Poor or Under Performance by Contractor

If a contract liaison determines that the contractor’s performance is not acceptable, the contract liaison should notify the responsible University administrator identified on the contract routing sheet. This administrator in consultation with the Vice President for Business Affairs and Finance, the director of the Office of Purchasing/Contract Administration, and General Counsel will determine the appropriate action, which may include withholding some or all of payment. The University should impose adequate sanctions and spending restrictions on contractors who are identified as not meeting
expectations. When contractors demonstrate repeated inability to meet expectations, they should be denied the privilege of contracting with the University.

H. Annual Review/Assessment

1. Scope of Annual Review/Assessment

An effective system of contract administration includes enforcement of policies and procedures through proper oversight of the contract administration function. The contract administration procedures must be annually assessed and identified improvements implemented.

The University’s Vice President for Business Affairs and Finance, Controller, General Counsel, and the Director of the Office of Contract Administration will annually review the University’s contract administration procedures and implement identified improvements. The review/assessment shall include the four key phases of contract administration:
   a. contractor selection;
   b. contract payment/reimbursement methodology;
   c. contract establishment; and
   d. contractor oversight.

2. Formal Audits

The University’s Internal Auditor may include contract administration in the risk assessments performed to determine which formal audits, if any, will be included on the audit plan.

I. Contract Training

The Office of the General Counsel and the Purchasing/Contract Administration Office will provide contract administration training to University personnel and departments on a regular basis and upon request.

Attachment A: **Contract Routing Sheet**