



MEMO

To: Managers, Directors, Supervisors, and Financial 2000 Users

Cc: Robert Temple

From: Ronald Gerhard

Date: November 4, 2008

Re: Clarification and Guidelines regarding contracts

This document is meant to provide background, clarification and guidance as to when a Purchase Order is sufficient to procure services or when additional documentation is needed, such as a contract. Due to not being able to specifically address every unique circumstance or situation in this memo, I have divided it into three parts: 1) those services that require a contract by their very nature, 2) those situations that because of circumstances present require the use of a contract, and 3) a decision tree for assistance when questions still remain.

Education Code 81655 allows the Board of Trustees the ability to delegate certain powers to the Chancellor and other officers. These powers include, but are not limited to, the ability to procure goods and/or services through the use of a District Purchase order or the authorization of a contract. Presently, there are 4 positions authorized to sign Purchase Orders or contracts in the name of the District. They are: Chancellor, Vice Chancellor of Fiscal Services, Business Manager and Director of Fiscal Services. This Education Code goes on to say, "... no contract made pursuant to such delegation and authorization shall be valid or constitute an enforceable obligation against the district unless and until the same shall have been approved or ratified by the governing board...."

Not all services require the use of a contract. That being said, the following services do require a contract (related object codes in parenthesis):

- Consultants, independent contractors and outside speakers (5112, 5113, & 5120)
- Insurance (54XX)
- Transportation and bus rentals (5611)
- Leases (5620)

- Maintenance agreements (563X)
- Repairs and maintenance if the total repair costs are greater than \$15,000 (564X)
- Legal, auditing, and accounting services (57XX)
- Internet and software license agreements (5830)
- Broadcast program rights and performance use agreements - KVCR (5831)
- Construction contracts (61XX, 62XX)

Situations or circumstances that require the use of a contract (related object codes in parenthesis):

- Those services where the vendor/contractors does not recognize or will not honor a District Purchase Order (varies)
- Those services that are ongoing in nature or occurring over a period of time (varies)
- Services that extend beyond more than one fiscal year (varies)
- Services by nature require the District or vendor/contractor to provide proof of insurance (varies)
- Services that require varied payment terms – i.e. monthly payments or periodic payments (varies)

Decision tree (with the use of possible examples):

