**Objective:** To determine if the department/unit ensures contracts are properly tracked and routed and that procedures exist to preclude unauthorized commitments on behalf of GRU. Also to determine if communication is provided to employees regarding contract authority.

**Risk Level/Potential Impact:** High; Results in unintended financial and legal consequences as well as negative public opinion if unauthorized commitments are made by employees. Additionally, employees may subject themselves to disciplinary action and expose themselves to personal liability.

**Criteria:** Institutional and BOR policies and procedures; Best business practices.

**Contract** according to GRU’s *Negotiation and Execution of Contracts Policy* refers to any document that creates an obligation, right, or liability for GRU. Such a document may be called a contract, agreement, memorandum of understanding, a letter of agreement, or by some similar terminology.

**Frequently Observed Weaknesses/Deficiencies:**
- Failure to communicate policy and procedures regarding contract processes and contract authority to employees.
- Unauthorized employees signing contracts on behalf of GRU.
- Failure to route contracts according to GRU’s contract routing policies and procedures.
- Contracting with an unauthorized representative of an external agency/organization.
- Failure to utilize a “contract” when warranted by the nature of the services to be provided.
- Failure to ensure finalized contract exists prior to providing or receiving service(s).
- Failure to review contracts for appropriate rates/fees.
- Failure to invoice; untimely invoicing according to contract terms.
- Invoicing at rates/fees inconsistent with terms of contract.

**Frequently Observed Weaknesses/Deficiencies (continued):**
- Failure to renew active contracts, or update/renegotiate contracts to reflect current expenditures/pricing structure.
- Failure to maintain approved contracts within the department for reference.

**Helpful Tools:**
- Policy 16.2.1 Negotiation and Execution of Contracts Policy [http://policy.gru.edu/](http://policy.gru.edu/)
- Contract Routing and Approval Form [http://www.gru.edu/services/legal/](http://www.gru.edu/services/legal/)
- Extramural Grant/Contract Agreement Routing Form [http://www.gru.edu/research-admin/spa/](http://www.gru.edu/research-admin/spa/)

**GRU Contact Office and Information Resource(s):** GRU’s Office of Legal Affairs (706) 721-4018, Division of Sponsored Program Administration (SPA), (706) 721-2592.

**Best Business Practices:**
1. Designate an individual with the responsibility to oversee all contract processes.
2. Ensure employees are aware of GRU’s contract policies and procedures.
3. Review GRU’s *Negotiation and Execution of Contracts Policy and Attachments A, B, and C* for procedures for the various types of contracts, i.e. such as purchasing contracts, contracts by affiliated entities, etc.
4. Management should periodically communicate to all employees that only designated employees (those delegated with contract authority by GRU’s president annually) may obligate GRU.
5. Ensure a “contract” is used when warranted by the nature of the services to be provided. See advice from GRU’s Office of Legal Affairs if uncertain of a potential contracting situation.
6. Ensure all contracts and memorandums of understanding are routed appropriately.
7. Ensure contracts are finalized prior to providing/receiving service.
8. Ensure the contracting party is an authorized representative for their company/agency. (*Note: If the person is not an authorized agent, the contract may not be valid and possibly not honored.*)
Best Business Practices (continued for Contracts):

9. Review contracts periodically to ensure current rates/fees are accurate/appropriate and all terms and conditions are being met.
10. Ensure invoicing is being performed accurately and timely.
11. Ensure lapsing contracts are renewed on a timely basis, and reviewed, revised and updated prior to renewal.
12. Keep a copy of the finalized contract/agreement within the department for reference.

Case Scenario: Management in a department verbally contracts with a customer to provide training services for $8,000. The individual obligating the customer was not an authorized contracting agent for the customer. An invoice was sent to the customer for payment for the services provided; however, the customer would not pay for the services. Why was the department unable to collect for the services?

Case Scenario Answer: The department was unable to collect $8,000 for training services because this was a verbal agreement and no contract was executed. Additionally, GRU management did not ensure the individual representing the customer was an authorized contracting agent for the customer.
<table>
<thead>
<tr>
<th><strong>Self-Assessment of Internal Controls for Contracts</strong></th>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
<th><strong>Comments</strong></th>
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</thead>
<tbody>
<tr>
<td>Are employees familiar with institutional policies and procedures regarding contracts?</td>
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<tr>
<td>Are all contracts, affiliation agreements, collaborative agreements, memorandums of understanding, etc. routed according to GRU’s contract routing procedures?</td>
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<td>Is a “contract” used when services warrant it?</td>
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<td>Does management avoid verbal agreements?</td>
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<td>Are end dates for contracts tracked/monitored to ensure contracts are renewed in a timely manner?</td>
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<td>Are contracts finalized prior to providing and/or receiving service?</td>
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<td>Does management ensure that only an employee with delegated contract authority signs contracts/agreements on behalf of GRU?</td>
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<td>Does management ensure they are working with an authorized representative of the agency/organization?</td>
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<td>Are contracts reviewed periodically to ensure the current rates/fees are accurate and appropriate?</td>
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<td>Is invoicing performed timely and in accordance with contract terms?</td>
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<td>Are terms and conditions of the contract(s) being met?</td>
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<td>Are contracts reviewed, revised and updated prior to renewal?</td>
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<td>Are future contract obligations incorporated into your budget planning?</td>
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<td>Is a copy of the approved contract filed within the department?</td>
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