

# Purchased Services; Contracts & Risk Management

Why is it important to execute a Contract? If it isn't documented, it didn't happen; make no assumptions.

*The basic purpose of a "contract" is to document the understanding of the parties, although ultimately, it will be the document that the court will refer to in the event of any legal dispute.*

The higher the cost, the more complex the services, the higher the risk, right? Not always. Even "free" services provided to a School District can pose significant risk.

Possible origins of risk:

- Proposal/Specifications; include a detailed description of the service that is to be delivered. If the specifications are not documented, there is no recourse to ensure you receive what you were expecting.
- Price; specify how, and when the contractor will be paid, including expenditure limitations.
- Schedule and Performance; include specific language describing the timeline and delivery, and acceptance of the services, including any penalties for non-performance.
- Contract authority; clearly state who has the authority to enter into the agreement for both parties, and establish how changes/adjustments to the statement of work are to be handled; including who has the authority to make changes. And how disputes, remedies, liquidated damages, and terminations should be initiated and managed.
- Surety/Liability; secure proper insurance and/or bonds to protect the financial and legal interests of both parties.
- Publicity/Projections; consider the possible outcomes. Take into account the future and reputation of Contractor, risk of non-performance and lack of enforcement.

Purchased Services; Contractors (in the business) of providing the service should be prepared (via price, insurance) to assume the risk.

Beginning the contracting process:

- RFP – SOW
- Include Purchasing Dept. in project planning
- New Vendor Orientation
- Educate Staff

Examples of Services:

- ✓ Professional Services (generally requires License and/or Certification and calls for Professional Liability insurance coverage): Medical, Legal, Staffing, Counselors, Therapists, Consulting, Security, Communication, Construction, and Engineering.
- ✓ Personal Service (generally calls for Commercial General Liability insurance coverage, and/or Auto): Guest Speakers, Performers, On-Site Repairs, Maintenance, Cleaning, Consulting, Grant Evaluation, Strategic Planning, Professional Development Trainers, Coaching, Snow removal, transportation.

Components of a Contract:

- Identification of the authorized parties
- Scope of Work; Description of Services
- Term; Period of Performance
- Payment Terms
- General Terms & Conditions (should align with standard municipality requirements)

