**Contract Management**

**Identifying a Contract**

A "contract" means a mutually binding legal relationship obligating the contractor to furnish the supplies or services and the School Food Authority (SFA) to pay for them. Contracts would include, awards and notices of awards, milestones and due dates, purchase orders, and any contract modifications.

The parties to a contract must possess the legal capacity to enter into the contract, and they must agree to the terms of the contract. The terms of the contract must not require the performance of an illegal act by the parties. Contracts may be either oral or written in form.

**Change Orders and Amendments**

Contracts should be amended in the same manner in which they were executed unless the contract provides for an alternative method of amendment. When contracting parties request a change to a purchase order or to modify a contract, the request must be signed by both parties to the agreement.

**Monitoring and Reporting Contractor Performance**

Contractor performance is any action or inaction by a contractor under a contract, purchase order, or other binding agreement with the school food service department. Any action or inaction by a contractor, which does not comply with the contractual terms and conditions, will be considered nonperformance and is to be documented by the school food service department. Nonperformance includes but is not limited to, late or non-deliveries, substandard or unacceptable goods and/or service levels, habitual under or over shipments, and unauthorized subcontracting or contract assignments.

The school food service department is responsible for monitoring contractor performance as it relates to the terms and conditions of the contract(s) and/or purchase order(s) issued. Contractor nonperformance actions are to be documented by the school food service department for suitable action aimed at correcting contractor performance, placing the contractor on probation for a period of time, suspension from bidding on the school food service department contracts, contractor debarment, and/or contract termination.

The non-performing contractor should first be contacted by telephone or email to discuss the problems being experienced. A mutual understanding should be reached, if possible, and a time frame for corrective action established.

The school food service department should convene a meeting with the contractor to help resolve problems, whenever possible. Should the contractor continue to not meet the requirements, the school food service department should document the problem, including a copy of any letters sent to the contractor or records of meetings (as applicable).

If issues still persist, the school food service department should review the documentation to determine the appropriate course of action. This action may include: calling the contractor, sending the contractor a “Notice to Cure”, or scheduling a meeting with the contractor leadership/management team.

**Length of Term of Contracts**

The length of the contract term (beginning and ending date) may vary depending on the type of contract, but the term must not be more than one (1) years with the option to renew for four (4) one (1) year terms, unless the contract falls under one of the exceptions below.

The exceptions to the maximum one year term with 4 options to renew are:

1. When the funding source for a contract provides the contract term must exceed 1 year with 4 options to renew. Such funding sources may include the state or federal government or an outside funding source (private or foundation grant).
2. When the school food service department “piggybacks” on another jurisdiction’s contract which is more than 1 year with 4 options to renew or is subsequently extended for more than the initial 1year term with 4 options to renew.
3. When a specific law, code, or regulation requires a particular type of contract includes certain contract term(s) exceeding the 1 year with 4 options to renew.
4. Contracts for goods, which includes equipment, which have a lifespan exceeding 1 year term with 4 options to renew and the benefits to the school food service department of exceeding a 1-year term with 4 options to renew outweigh the benefits of creating and executing a new contract after all renewals are used.
5. Contracts for technology software or hardware have a lifespan exceeding 1 year term with 4 options to renew and the benefits to the school food service department of exceeding 1 year term with 4 options to renew outweigh the benefits of creating and executing a new contract after all renewals are used
6. Proprietary maintenance contracts.
7. Contracts for project-specific professional services where the length of the project is expected to exceed 1 year term with 4 options to renew.
8. Revenue contracts.
9. Contracts with other governmental entities.
10. When the school board is otherwise able to justify it is in the school food service department’s best interest to exceed the 1 year term with 4 options to renew. For example, the school board is able to demonstrate the financial and/or programmatic impact on the school food service department would be significant if the contract term does not exceed the 1 year term with 4 options to renew.

**Monitoring, Administration, and Evaluation of Contracts**

Monitoring, administration and evaluation of school food service department contracts are essential to promoting the most cost effective use of taxpayer dollars and school food service department resources and to ensuring the school food service department receives the goods and/or services for which it contracts.

Although the method used to monitor, administer, and evaluate a contract will depend on the type of contract, the school food service department should develop performance standards and implement a process that incorporates monitoring, administration, and evaluation of contracts. For example, self-monitoring and self-reporting may be appropriate for certain contracts.

The school food service department should also document its performance evaluations of contractors. The retention period for this documentation should the same as the retention period for the subject contract. These performance evaluations may be used by school food service department to evaluate the propriety of entering into contract extensions or future agreements with the same contractor.

**Invoice Approval**

For all invoices, the school food service department should approve in accordance with departmental procedures.

* The school food service department will verify the invoice data and ensure that the invoice data matches the purchase order or contract for each item or service ordered with respect to:
* Price
* Manufacturer part number and part description
* Quantity ordered, shipped, and received
* Services provided
* In the event the invoice does not match the purchase order, contract, or what was received, it is the school food service department’s responsibility to resolve the discrepancy with the supplier.
* Any items not needed should be returned to the contractor for proper credit and re-invoicing after receiving a return authorization from the contractor.

**Receiving**

Receipt, inspection, and acceptance of ordered goods and services.

* Ordered goods and services should normally be delivered directly to the designated location.
* The department personnel will perform the following duties:
* Verify packing slip information - compare packing slip with purchase order to verify goods and services ordered was shipped.
* Inspect shipment - inspect incoming goods and services for damage and, if found, note it on the invoice and communicate it to the contractor.
* Verify shipment quantity/quality - compare package content to packing slip and purchase order to verify the correct, undamaged quantity of goods and services has been received.