

## Contract Management (FMC 3.1 – January 1, 2022)

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**Section 1 – Purpose:** This policy advises agencies on the minimum requirements of managing state contracts consistent with the responsible stewardship of State resources.

**Section 2 – Purpose of Contract Management:** The goal of contract management is to ensure the vendor has satisfactorily performed the duties outlined in the contract. The statement of work in the contract should clearly capture and define all activities, deliverables, timelines and acceptable criteria relevant to allow the Contract Administrator to monitor supplier compliance.

**Section 3 – Contract Administrator:** The Agency shall designate an existing employee(s) as a contract administrator(s) who will oversee the performance of a contractor to ensure duties are performed in accordance with the contract. The roles and responsibilities of the contract administrator shall be clearly defined, including:

- The contract administrator will maintain copies of records related to the performance of the contract and make available for audit.
- The contractor administrator must be familiar with the contract terms and conditions.
- The contract administrator will ensure that the contract is valid and that the contractor is meeting the terms and conditions of the award.
- The contract administrator will document and, if necessary, make IDOA and State Budget Agency (SBA) aware if a contractor fails to comply with the terms and conditions of the award.
- The contract administrator will advise the agency on the whether the contract needs to be renewed or the agency needs to initiate a new procurement.

**Section 4 – Authority to Sign Contracts:** Only staff designated in writing by the agency head have the authority to bind the State and sign contracts on behalf of an agency.

**Section 5 – Contract vs. Grant:** The terms “contract” and “grant” are often used interchangeably, and this misuse results in operational inconsistencies, confusion, inefficiency, and waste. The confusion stems from the fact that a contract and a grant contain the same essential elements: competent parties, lawful subject matter, sufficient consideration, and consent of minds. However, contracts create “State procurement relationships” and grants create “State assistance relationships.”

Indiana Department of Administration (IDOA) and the Office of the Attorney General (OAG) provide a Contract Manual and corresponding templates. The Contract Manual provides agencies with the required clauses of any contract and additional guidance on the contract vs grants determination. A legally valid procurement method is required for all contract and IDOA will reject documents from State agencies that attempt to avoid the competitive procurement process necessary for a contract by inappropriately framing a contract as a grant. Each agency is

responsible for reviewing the funding source that supports the grant or contract to assure the proper agreement is utilized.

**Section 6 – Contract Scope of Work:** Characteristics of a Scope of Work:

- Describes the work deliverables and specific milestone or due dates in a way that will allow contractors to understand the State’s needs
- Defines the end results that an agency is seeking to achieve
- Identifies applicable State or federal laws governing the work
- Establishes performance standards and controls
- Defines how an agency will measure success
- Define corrective action plan (CAP) steps to be taken to remedy missed expectations
- Define consequences for missed expectations

Contract payment terms must reflect the work outlined in the scope of work.

Contracts for services should be based on the overall costs for services required for the project with a breakdown by hours and rates, direct expenses, and fees for subcontractors.

**Section 7 – Accounting for Contracts:** Budget accounting for contracts should follow the principles established in the State Board of Accounts (SBOA) Manual, including:

- Encumbering Contracts: Section 3.2.4 of the SBOA Manual provides: “The total amount on a vendor contract should be encumbered on a purchase order, including amount to be paid in future years, unless a specific exception is granted by the State Budget Agency and the Auditor of State.”
- Multi-Year Contracts/Leases: Section 5.4.1.8 of the SBOA Manual provides: “All contracts and commitments must be entered in the PeopleSoft financial system in order to create an encumbrance for the funds committed. For contracts (or leases) spanning more than one fiscal year, all years should be accounted for in the initial requisition by using a separate line for each fiscal year.”

**Section 8 – Prepayment Terms:** In accordance with IC 4-13-2-20, agencies must request prior approval of SBA for an advance payment of the following:


- War surplus property.
- Property purchased or leased from the United States government or its agencies.
- Dues and subscriptions.
- License fees.
- Insurance premiums.
- Utility connection charges.
- Federal grant programs where advance funding is not prohibited and the contracting party posts sufficient security to cover the amount advanced.

- This provision does not apply to contracts entered into between the department of workforce development and a school corporation or a state educational institution.
- Grants of state funds authorized by statute.
- Employee expense vouchers.
- Beneficiary payments to the administrator of a program of self-insurance.
- Services, supplies, materials, or equipment to be received from an agency or from a body corporate and politic.
- Expenses for the operation of offices that represent the state under contracts with the Indiana economic development corporation and that are located outside Indiana.
- Services, supplies, materials, or equipment to be used for more than one (1) year under a discounted contractual arrangement funded through a designated leasing entity.
- Maintenance of equipment and maintenance of software if there are appropriate contractual safeguards for refunds as determined by SBA.
- Exhibits, artifacts, specimens, or other unique items of cultural or historical value or interest purchased by the state museum.

**Section 10 – Review of Invoices:** Agency heads must assign the role and responsibility of reviewing invoices. Before approving an invoice, personnel assigned to review invoices must verify that the charges submitted on the invoice comply with the terms and conditions in the contract. The charges should comply with the rates listed in the agreement and correspond to contract timelines, goals, benchmarks, or deliverables.

**Section 11 – Contract Close-Out:** A contract is completed when:

1. All goods/services have been received and accepted as paid in full.
2. All reports were provided and accepted.
3. Final payment is made to the Contractor.

  
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 Zachary Q. Jackson, Director  
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