

 <b>VILLANOVA</b> UNIVERSITY	<b>Policy: Creating Multi-Year Contracts and/or Leases</b>
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Financial Affairs Department Procurement Policies and Procedures	Approved: March 12, 2004

Policy

Multi-Year contracts/leases may be created once approved by the Procurement Department and General Counsel. Total contract/lease must still receive approval in accordance with signing authority policy.

Procedure

1. After completing all bidding requirements for proposed Contracted material/service the final contract must be forwarded to the Procurement Department for review.
2. Procurement will then forward the final contract to General Counsel for approval if it has not already been done by the Department.
3. Once approved by General Counsel, the contract will be returned to the appropriate Department for signature based on "Signing Authority Policy."
4. The Department will then place an on-line requisition in Banner for the entire term and dollar value of the contract (i.e., three year contract for \$300,000 even though you may only have \$100,000 available this year for this contract). Line item text should clearly explain that this is for a multi-year contract with the dollar per year detailed out. References should be given regarding the contract number and other detailing information.
5. The order will then be processed through Banner's approval system based on the total value of the contract thus ensuring the appropriate levels of approval.
6. Once the Procurement Department receives the requisition along with all the related documentation, Procurement will then create a Multi-Year Purchase Order. This will be done by clearly explaining on the header of the Purchase Order that this order will cover a particular time frame while also indicating the total dollar amount of this contract. However, the ACTUAL dollar amount of the Purchase Order itself will be for the dollar amount of the first year only. This will disencumber the requisition funds that were previously encumbered for the entire life of the contract and only reserve the funds for the first year of the contract.
7. At the beginning of each additional year of the contract, the Procurement Department will process a change order to increase the Purchase Order to cover the next year of the multi-year contract. This will be done by the buyer forwarding an email to the Office Assistant indicating the Purchase Order number and dollar amount to increase. All of these multi-year orders will be filed electronically in a procurement database with easy retrieval by due date. As Contracts end, the Procurement Department will then notify each Department.

Example:

- a. Three Year Contract for a Total of \$300,000.00
- b. Requisition created by the Department for \$300,000.00
- c. Procurement receives the requisition and creates a purchase order for \$100,000.00
- d. On the purchase order it is stated that the total dollar value of the purchase order is \$300,000.00 along with the statement that the life of the purchase order is for a 3 year period.
- e. At the end of the first and second years of the contract, a change order will be made to the original purchase order increasing it to cover the cost for that particular year.
- f. Prior to the end of the third year of the contract, the Procurement Department will notify each Department as to the termination date of the contract.