

CHAPTER VI

CONTRACTS

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SECTION 1 **PREPARING AND SUBMITTING A CONTRACT FOR APPROVAL BY THE STATE CONTROLLER**

PURPOSE:

The purpose of this procedure is to provide guidance for state agencies to submit original contracts, amendments, change orders, and supplements to capital construction contracts to the state controller or his delegate for approval. For complete instructions for both delegated and non-delegated state agencies please review Annex A of the Contract Procedures and Management Manual and the Contract Processing Guide procedures issued by the State Controller's Office.

DEFINITIONS:

See Chapter 1 Section 2

ACCOUNTING/FISCAL ADMINISTRATIVE REQUIREMENTS

All capital construction contracts must comply with State Fiscal Rules, specifically Rule 3-1 Contracts and 4-1 through 4-3 Projects.

All contracts, amendments, change orders, and supplements are required to be sent for review and approval per the contract routing instructions described in Chapter 2 of the Contract Processing Guide.

All capital construction contracts, amendments, change orders, and supplements to contracts must be approved by the Director of State Buildings or by state agency personnel delegated to sign for the State Buildings Program; however, there are several state departments that are exempt from this rule by statute, such as Natural Resources and Transportation.

When state agencies acquire the services of a vendor under contract to the State Buildings Program through a master contract or a task order contract, they are required to encumber the funds needed to pay for these services.

All capital construction contracts and contract amendments must be reviewed by the Attorney General's office or an attorney delegated by the state controller prior to approval by the state controller or state controller delegate.

State Fiscal Rule 4-1 allows the use of a purchase order to purchase furniture, equipment, and trade services (plumbers, electricians, roofers). Trade services are limited to \$25,000, unless the plans and specifications have been prepared by or reviewed and approved by a licensed architect or a registered engineer. If this is the case, a purchase order for trade services may be used to acquire services up to \$50,000. Trade services costing more than \$50,000 must always be acquired by state contract. In addition, all architectural, engineering, land surveying, industrial hygienist, and landscape architectural services must be acquired by state contract.

It is necessary to record encumbering documents in the fund, agency, and appropriation code in which the payment will be recorded. When an encumbering document is referenced on a payment voucher, the payment voucher carries forward the accounting information from that encumbering document.

Correct vendor codes must be used for capital construction encumbrances. Miscellaneous vendor codes are not allowed.

An encumbering transaction for a contract must not be entered in COFRS to record a commitment in the capital construction fund unless it complies with State Fiscal Rules. Please note State Fiscal Rule 4-2 states:

“All funds appropriated from the State Capital Construction Fund shall be used for their intended purpose. A State Agency shall not use Capital Construction Funds to pay or reimburse State employees for construction management, administrative activities, direct labor performed, or any other expense outside the scope of the Capital Construction or Controlled Maintenance Project.”

State agency in-house work orders must have prior written approval by the state controller.

PROCEDURAL FOCUS:

A contract, amendment, supplement or change order submitted to the State Controller’s Office for approval must:

- ♦ Be accompanied by a completed contract routing form.
- ♦ Be accompanied by an encumbrance document prepared for the amount of the contract, amendment, change order or supplement.
- ♦ Have all required signatures affixed to the contract before the state controller will approve the contract.