

CHAPTER V  
CONTRACT PROCESSING BY  
THE STATE CONTROLLER'S OFFICE

**SECTION 1**  
**REVIEWING AND APPROVING NON-DELEGATED  
CONTRACTS**

The following procedure describes the steps taken by the state controller's signatory to review and approve contracts and contract modifications submitted by non-delegated state agencies. The designate has the same responsibilities as the state controller under CRS 24-30-202 and the State Fiscal Rules. Specifically CRS 24-30-202, requires that any contract involving the disbursement of funds by the state shall contain a clause stating that the contract will not be deemed valid until it has been approved by the state controller or such assistant as he may designate.

The statutes and fiscal rules require that an appropriation be available to fund the agreement obligation for the current year, an encumbrance for the current year disbursement has been recorded in the agency's accounting system, the agreement has been recorded in the official COFRS contract log (the CLIN table), the vendor has signed the agreement, someone authorized by the executive director or university president to enter into contracts for the agency has signed the agreement, all required central approvers have reviewed and approved the agreement, and the agreement has been reviewed for legal sufficiency by an attorney.

The attorney's legal review insures that:

- ♦ Adequate performance under the contract can be successfully enforced.
- ♦ The State of Colorado will not incur any exposure to unnecessary or excessive liability because of the contract.
- ♦ The contract is worded to insure that good business practices are being followed by the agency when entering into and performing under the contractual agreements.
- ♦ The laws of the State of Colorado are not violated.

**DEFINITIONS**

*Blanket Encumbrances* - An encumbrance entered into COFRS for an amount that equals the appropriation line total or the total appropriation for a program which is a segment of an appropriation line. A blanket encumbrance is required when at least one of the contracts that will be charged against the appropriation line is a "rate per unit service" contract or "conditional amount" contract.

*Conditional Amount Contract* - A contract for which the obligation to disburse state funds is conditional upon events happening or conditions existing in the future. The amount that will be required to be disbursed for this type of contract cannot be determined when the contract is written unless a maximum disbursement is stated in the contract.

*Contract* - A formal legally binding agreement between two state agencies or one state agency and another party which ultimately results in the disbursement of funds. A contract can be distinguished from a purchase order by the fact that a contract will contain the signatures of both the state agency representative and the outside party providing service or goods, while a purchase order will contain only the signature of the state agency representative.

*Contract Routing Form* - A form containing contract information must be attached to all contracts, amendments, change orders, supplements, and other modifications that are required to be sent to the SCO for approval and signature. This form may be a screen print of the CLIN and CLI2 tables or, for agencies that do not use COFRS as their main accounting system, the Correctional Industries form identified as number 395-53-07-0085.

*Delegated Contract* - A contract that is approved and signed for the state controller by a delegate at a state agency who is designated by the state controller and is following approval guidelines issued by the state controller.

*Exempt Contract* - A contract that does not require the state controller's approval and signature to be valid and binding upon the State of Colorado. This category includes all contracts that do not require a disbursement of funds.

*Legal Review* - A review of a contract by a properly licensed attorney who is lawfully employed by the State of Colorado.

*Multi-year Contract* - A contract whose term falls within at least two state fiscal years.

*Non-Delegated Contract* - A contract that must be approved and signed by the state controller or by delegates within the State Controller's Office to be valid and binding upon the State of Colorado.

*Primary Delegate* - A chief financial officer or agency controller who is authorized to sign contracts for the state controller.

*Rate Per Unit Service Contract* - A contract for which the obligation to disburse state funds is based upon a charge for each unit of service provided. The amount that is required to be disbursed for this type of contract cannot be determined when the contract is written unless a maximum disbursement is stated in the contract.

*Sub-Delegate* - An agency employee designated by the primary delegate and authorized by the **state controller** to sign contracts for the state controller.

*Waived Contract* - A delegated contract that has been reviewed and approved as to form by the central approvers requested by the agency to waive the agreement, including the attorney general. This allows the initiating agency to complete some vendor specific information on the contract, such as name and payment amount, without rewriting standard information such as scope of work. The contract can then be reviewed and approved at the agency without a specific review of each contract by the central approvers.

*Waived Contract Reviewer* - An agency employee designated by the primary delegate and approved by the state controller who reviews waived form contracts for completeness and insures that the text of these contracts has not been altered from the text approved by the attorney general.

### **Accounting/Fiscal Administrative Requirements**

All original contracts and contract modifications that require a disbursement of funds by the state, for which the contracting agency does not have delegated signature authority, must be approved and signed by the state controller's signatory.

All original contracts and amendments, except for inter-agency agreements, must have been reviewed for legal sufficiency by the Attorney General's Office prior to execution by the State Controller's Office.

All original contracts, amendments, change orders, and supplements must be signed by the vendor and the agency.

The vendor signature can be one of the following without an attestation:

- a) An individual, if the vendor is an individual or a sole proprietorship.
- b) A general partner, if the vendor is a partnership.
- c) A member or manager, if the vendor is a limited liability company (LLC).

All other signatures must be attested and include the appropriate attestation signature.

All capital construction contracts and modifications require the signature of the Director of the State Buildings Program or one of his delegates.

All lease contracts and modifications require the signature of the executive director of the Department of Personnel or one of his delegates. The primary delegate for the executive director resides in the State Buildings Program.

All modifications to a contract, that was required to be signed by the state controller's signatory, must be signed by the state controller's signatory even if the modifications do not require a disbursement of funds by the state.

### **PROCEDURAL STEPS**

- Step 1     Receive the agreement from the SCO (State Controller's Office) routing technician.
- Step 2     Identify the type of agreement you are reviewing.
- Step 3     Review the agreement, the COFRS CLI2 table, and the attached routing slip and insure that all of the central approvers required for that type of agreement have reviewed and approved the agreement.
- Step 4     Review the agreement and determine the amount of the encumbrance required for the current fiscal year and the term of the agreement. If it is a capital construction agreement it is usual for the entire amount of the agreement to be encumbered when the agreement is first executed.
- Step 5     Ensure that the contract prices are fair and reasonable and that the Special Provisions are included in the contract.
- Step 6     Verify the required signatures of the vendor and the paying agency. The agency signature must match a signature located in the "Authorized Signature Book" for that agency.
- Step 7     Verify that an encumbrance has been recorded on the agency's primary accounting system for the amount of the agreement required to be disbursed, per the contract terms, in the current fiscal year, and that no payments have been made from that encumbrance. If the agency has submitted a CORFS encumbrance document, log-on to the COFRS system and approve the encumbrance document, schedule it for immediate update, and initial the screen print of the encumbrance document as approved. If the funding appropriation year and the performance year do not match, forward the contract to the agency's field controller. They will review the funding source to insure proper accounting.
- Step 8     Access the CLI2 table in COFRS and record the SCO review and approval dates. Enter "AGCY" in the "SENT TO " field and an "A" in the "ACT" (action) field. Then verify that the CLI2 record is correct in terms of the vendors name, the amount of the agreement, and the term dates. If these fields are not correct change them by entering the correct information. When the record is correct print two images of the CLI2 table.

- Step 9 Sign three of the agreements, preferably the same ones the attorney general has signed (**leases require four original signatures**) and verify the remainder by stamping the state controller signature box with the verified stamp and initialing.
- Step 10 Retain one of the agreements with original signatures, the screen print of the encumbrance document, all relevant correspondence from the submitting agency, the screen prints of the CLIN and CLI2 tables, and all attachments to the agreement. These documents are filed daily by date approved in the current fiscal year, multi-year agreements, or capital construction archive boxes.
- Step 11 Attach one of the final CLI2 table screen prints to the remaining copies of the agreement and distribute to the submitting agency. For lease contracts return one copy of the agreement with original signatures to the Division of State Buildings.

**Procedural steps required when an agreement is rejected by the state controller signatory.**

- Step 1 Determine what the error is and who is responsible for correcting it. Access the CLI2 table and record the date reviewed, the same date for the sent date, the abbreviation for the agency the agreement is forwarded to, the code for the rejection, a “d” in the “ACT” (action) field, and a short description of the problem. If the agreement requires review and approval from a central approver who has not seen the agreement have the SCO routing technician forward the agreement to that central approver.
- Step 2 If the reason for rejection can be resolved by the submitting agency without having the agreement in hand, call the agency and explain the problem. Then access the CLI2 table and record the date reviewed, the same date for the sent date, the code for the rejection, “HOLD” in the “SENT TO” field, a “d” in the “ACT” (action) field, and a short description of the problem. Place the agreement in the “hold” basket. If the problem has not been resolved within five working days, change the “HOLD” status on the CLI2 table to ”AGCY” and print an image of the screen. Attach the screen print of the CLI2 table to the agreement and return the agreement to the agency.
- Step 3 When the problem has been resolved the agreement should be logged into the SCO on the date it is received or corrected and then put in the processing file for that date.

**SECTION 2**  
**REVIEWING AGREEMENTS REJECTED BY THE**  
**REVIEWING ATTORNEY**

- Step 1     Receive the agreement from the SCO (State Controller’s Office) routing technician.
- Step 2     Complete steps two through six of the contract approval procedures for the state controller’s signatory listed in Chapter 4, page 13 and 14 of these procedures.
- Step 3     Read the letter from the reviewing attorney describing the reason(s) for the rejection of the agreement.
- Step 4     Decide if the agreement has fatal errors or should be reviewed by the state controller prior to returning the agreement to the submitting agency.
- Step 5     Write a letter to the agency program contact explaining the error(s) in the agreement and what the agency must do to resolve them.
- Step 6     Access the CLI2 table and record the date reviewed, the current date for the sent date, “AGCY” in the “SENT TO” field, the code for the rejection, a “d” in the “ACT” (action) field, and a short description of the problem.
- Step 7     Print two images of the CLI2 table and make a copy of the reviewing attorney’s letter of rejection and the SCO letter.
- Step 8     Attach the copy of the reviewing attorney’s letter to the SCO letter and return all of the agreements to the agency with all supporting documentation and attachments, including a screen print of the CLI2 table. Retain for the SCO files the reviewing attorney’s letter, the SCO letter, a screen print of the CLI2 table, and copies of any other relevant information.