

## **CONTRACT ADMINISTRATION**

Contracts between the New Hanover County Board of Education (Board) and any firm or person offering to provide services or goods to the Board shall be executed in compliance with this Policy.

All contracts requiring disbursement of funds by the Board shall be preaudited by the Chief Financial Officer. If obligations are incurred without a preaudit certification in violation of North Carolina General Statute 115C-441 and are subsequently disapproved by the Chief Financial Officer, the obligation is invalid and may not be enforced. The employee shall be held liable for any sums so committed.

Detailed Disbursement Procedures shall be maintained by the Finance Division.

### **Contract Format**

Contracts for the purchase of goods are normally established through issuance of a purchase order (offer to purchase), which becomes a contract when the vendor either issues an acknowledgment accepting the purchase order terms and conditions, or ships the goods in accordance with the purchase order. Contracts for goods established in this way are preaudited when the purchase order is issued.

Service contracts for personal/professional, construction or repair work, or general services are signed by both parties and establish terms, conditions, provisions, expectations, requirements and obligations of both parties including:

- Contractor data such as company/individual name, address, and tax identification number;
- Length of contract with beginning and ending dates;
- Detailed description of services to be provided;
- Maximum total payment (not to exceed amount);
- Reimbursable expenses; and
- Payment method (e.g., rate per hour, lump-sum, installments) and due dates.

Service contracts shall also be supported by a purchase order to encumber funds. Service contracts below the Board's approval levels may also be established through issuance of a purchase order if the bid document or written quote address the issues above, are signed by vendor, and are incorporated in the purchase order.

All original contracts or standardized contract forms shall be approved by the Board Attorney. The attorney need not review renewal agreements for previously approved contracts unless terms and conditions have changed.

### **Contract Authority**

Board approval is required for the following:

- All contracts for services, construction or repair work at or exceeding \$ 300,000;
- All contracts which extend into the next fiscal year; and
- Installment purchase contracts, lease/purchase contracts, guaranteed energy savings contracts, sole source purchases of equipment, piggybacking on state contracts, and

contracts involving the acquisition, lease or disposition of real property (except for facility use agreements of no more than one (1) year and any other contract which by law requires Board approval.

Contracts for services, construction and repair work at or above \$100,000 and below \$300,000 shall be approved by the Superintendent or Designee.

Contracts for services, construction and repair work below \$100,000 and all contracts for purchases of goods may be approved by Budget Administrators. The Chief Financial Officer will maintain a listing of those administrators granted budget authority by program.

For contract fees based on a percentage of identified savings or revenue, the approval level should be based on estimated fees. If actual fees exceed Board approval limits, the Board shall be notified in an informational agenda item.

Certain continuing contracts, lease/purchase contracts and installment purchase contracts shall also be approved by the New Hanover County Commissioners and/or the Local Government Commission in accordance with NCGS 115C-528 and 441.

### **Contract Change Orders (Amendments)**

Unless otherwise prohibited by Statute or regulation, all change orders at or above \$100,000 and below \$300,000 shall be approved by the Superintendent or Designee. Change Orders below \$100,000 may be approved by the Budget Administrator.

All change orders at or exceeding \$300,000 require Board approval.

When a change order causes a contract to exceed Board approval levels, the change order shall be approved by the Board and submitted along with a report of any previous change orders.

For all contracts approved by the Board, any change order which causes the cumulative contract amount to increase by 25% of the original contract, shall be approved by the Board and submitted along with a report of any previous change orders. All additional 25% increments shall be approved in the same manner.

All Contracts for Construction and Repair Work awarded in accordance with NCGS 143-128, 143.128.1, 143.128.1A, 143.128.1B, 143.128.1C, or 143-129:

- Use of Change Orders: After a contract for construction or repair work has been awarded, the need may arise to amend the terms, conditions, or specifications of the contract by a change order. Change orders may not be used or divided to evade bidding requirements or the requirements of this Policy.
- Change orders requiring Board approval: Board approval of a change order is required at approval levels and conditions stated above.
- Change orders that must be reported to the Board: The Superintendent shall report periodically to the Board all change orders on contracts for construction and repair work that were approved. This does not include use of contract allowances and unit cost approved in award of the contract. This report shall be provided to the Board in writing and shall include:

(1) the contractor's name; (2) the project name; (3) the original contract amount; (4) the amount of all approved change orders along with a brief description each; and (5) the revised contract amount. The Superintendent is not required to report any proposed change order that was denied by the Superintendent or Designee.

### **Independent Contractors**

Contracts shall not be entered into with current employees or service providers who should be classified as employees rather than independent contractors. Budget administrators should contact the Human Resources Division or Finance Division if they have questions regarding the independence of a contractor.

LEGAL REF: NCGS 115C-521, 115C-528 and 441

CROSS REFS: Policy [4410](#) Child Nutrition Procurement Plan  
Policy 3610 Purchasing Administration  
Policy [6084](#) Employee Conflict of Interest

Adopted: 07/10/12

Revised: 5/2/17