

CASH DISBURSEMENTS – REQUIRING CONTRACTS

Requests for payments to purchase equipment or any fixed asset, renovate facilities, engage consultants, etc. can be based on either oral or written agreements. However, in order to process a disbursement request where the total payment to the vendor will be \$5,000 or greater, USM FOUNDATION requires a written contract. The contract can be with the institution or with the USM FOUNDATION. If the contract is with the institution, then it must be signed by an authorized person per institution policy.

If the contract is with the USM FOUNDATION, the USM FOUNDATION requires that it be reviewed and signed either by the President or CFO, the only authorized USM FOUNDATION signers. If non-routine, extend over a year, are complex, or have liability exposure, legal review may be required, so allow sufficient lead time for the process.

Though not required, we strongly advise a written contract for any exchange of promise between two parties. A written contract has many advantages. It formalizes the promises exchanged between the parties, and it details the other terms affecting the performance such as start and end date and payment schedules. It also details each party's rights and provides tangible proof of the parties' agreement.

A sample contract is included in the USM FOUNDATION Forms Library on the website www.usmd.edu/usmf. It is most suitable for agreements with individuals, but the basic format can be used for agreements with companies. The contractor's document, subject to review, is acceptable.

EXCEPTION: When *equipment or fixed assets* to be purchased is \$25,000 or greater, quotes from at least two (2) vendors should be obtained and submitted with the DISBURSEMENT REQUEST FORM. If only one price quote is submitted, an explanation as to why this is a sole source purchase must be provided. If the quote is sufficiently detailed it can be used in place of a formal contract.

When engaging a consultant and the value of the services to be rendered is \$25,000 or greater, a justification for the selection of that contractor must be included with the contract unless more than one bid was received.