

ADMINISTRATIVE POLICY NO. 628

1. SUBJECT: CONTRACT ADMINISTRATION

2. OBJECTIVE:

- 2.1. To assure the contracts agreed to by Beartooth Electric Cooperative, Inc. (BEC) are administered and managed in a consistent manner and in accordance with Board Policy No. 305 – Purchase of Materials & Equipment and 306 – Contracts for Construction.
- 2.2. Establish standard guidelines and policies for the acceptance/creation of contracts and the administration of those contracts.

3. POLICY:

- 3.1. Contracts will be established for all purchases of deliverables or services in excess of \$500. Formal contracts will be established with each vendor or consultant. A purchase order (P.O.) signed by both BEC and the vendor or consultant will constitute a contract. Each P.O. will include the applicable contract requirements as follows:
 - 3.1.1. LVE Management Contract will have the authority to approve payments, approve contract modifications, modify or add scope of work, sign off on the final acceptance of services and/or deliverables and other contract administration responsibilities. The manager of each department is ultimately responsible to ensure proper contract administration is followed within their respective departments.
 - 3.1.2. Every contract will expressly state the terms and conditions for payment. An amount not to exceed financial limit will be established for each contract. Payments will not exceed contractual funding. Contract modifications or amendments will be required for changes to funding limits. LVE Management Contract will ensure terms and conditions of contracts are in accordance with this and other policies and procedures at BEC. Accounts payable will assist in tracking the amounts paid and will inform the LVE Management Contract when payments are not in accordance to the contract.
 - 3.1.3. All contracts will specify the method of invoice and will detail the information required to appear on the vendor's invoice.
- 3.2. Service contracts: Contracts for services will detail how services are to be calculated by identifying the price per hour, price per deliverable, price per milestone, percentage of completion or other methods. BEC reserves the right to withhold payment until identified problems are made whole.

- 3.2.1. Required invoice information will include detailed description of hours worked, the classification of the individual who performed the work, a detailed description of the service or work completed and the method by which the invoice was calculated. It will be the LVE Management Contract's responsibility to monitor and approve the accuracy and amount of service performed. BEC will always retain the right to specify the form of invoice.
 - 3.2.2. Scope of work will be explicitly outlined to avoid misunderstandings and to clearly express BEC's expectations of services and/or deliverables. A well-defined scope of work is essential to contract administration and will avoid conflict between BEC and its vendors. The scope of work will be modified by the LVE Management Contract as required.
- 3.3. Construction Contracts: Construction contracts will be invoiced applying Rural Utilities Service (RUS) methods of cost allocations for BEC's Continuous Property Records (CPR). Final invoicing data will include the quantity and description of CPR units constructed and/or retired, labor unit price, material unit price, total unit price, cost of construction by CPR, cost of removal by CPR, total amount payable to the contractor for construction and retirement less salvaged materials, a certificate of engineer, a waiver and release of lien and a certificate of completion. Reference RUS's form 254, 254a, 254b and 254c.
 - 3.3.1. Final payments for construction contracts will be payable upon receipt and acceptance by the LVE Management Contract.
 - 3.3.2. The term/length of the contract will be identified for a specific period or upon the receipt of stated deliverables. Expected dates for the receipts of deliverables (i.e. trucks, software, reports, material, etc.) will be outlined in the contract. Penalties if applicable for not meeting contractual deadlines will be outlined in the contract and enforced by the LVE Management Contract.
- 3.4. Procedures for the termination of contractual obligations will be addressed. Contract termination will provide BEC with protection against failure to complete and any adverse financial ramifications. Bond insurance is required for contracts exceeding \$25,000. The amount of bond insurance will not be less than the financial limit established in the contract(s).
- 3.5. In the event the contractor fails to perform and/or deliver contracted services and/or deliverables, the vendor/contractor agrees to compensate BEC for all damages or expenses caused by the failure to perform as agreed to in the contract.
- 3.6. Terms for the acceptance of services and/or deliverables. Final payment will be contingent upon completion and acceptance by the LVE Management Contract for contracted services and/or deliverables.

- 3.7. Contract language will include verbiage stating that the acceptance of payment waives vendors' claims for liens on BEC.
- 3.8. All applicable federal, state and local taxes payable will be collected and payments forwarded to the appropriate government agency by each party from their respective customers for services and/or deliverables agreed to under this contract.
- 3.9. Insurance coverage requirements will state that the vendor maintain adequate insurance to cover the activities arising from this contract and will provide proof of insurance. BEC may also request a certificate of insurance and may request that BEC be listed as an additional insured on the vendor's policies.
- 3.10. Contract language will include an indemnification clause and language which will limit BEC's liability for possible damages resulting directly or indirectly from the contract.

4. POLICY:

- 4.1. Purchase orders (P.O.) will be required for payments in excess of \$500 to contractors/vendors. Each P.O. will include the contractor's name and address, the contract administrator, contract funding limits, terms of payment, the length or term of the contract, invoice requirements, method of invoice calculation and the amount of funding to be held for approval/acceptance of services or deliverables.
- 4.2. Accounts payable will process an invoice if a contract is signed by the appropriate parties, the LVE Management Contract has received deliverables, the LVE Management Contract has signed the invoice, contract funding and limitations have not been exceeded and the invoice has been calculated in accordance with contract instructions.
- 4.3. Signed contracts/P.O.s will be filed in a central location within BEC to ensure the safeguarding of these legal documents.
- 4.4. This administrative policy is intended to assist in the compliance of other policy and fiduciary responsibilities of BEC and will be followed in all situations. However, this policy does provide a waiver in emergency situations so deemed necessary by the General Manager and/or the Department managers. This waiver does allow the immediate response by bypassing the need for a formal contract, as outlined in the above procedure, prior to proceeding with required emergency work. A formal contract will still be agreed to and signed by both parties prior to paying more than 50% of the expected contract total.

5. RESPONSIBILITY:

5.1. The General Manager, LVE Management Contract and Department Managers shall ensure that the provisions of this policy are followed.

Adopted: 02/22/2013
Revised: 06/30/2015
Reference: LV Policy 619
Review Date: June 2017

Attest: /s/ Richard Nolan
Secretary/Treasurer

Attest: /s/ Roxie Melton
Board President