



3.2.2 Contract Renewal/Administration/Multiyear Contracts

Policy Statement

State entities, including the University of Georgia, are authorized to enter into contracts for the acquisition of goods, materials, equipment, services, and supplies. Ordinarily, to avoid pledging the credit of the state, the term of a contract is one year or less. Some contracts contain renewal clauses describing the conditions under which a contract may be renewed for an additional period of time.

When determining beginning and ending dates of the initial contract term, the University must consider both its needs and its budget. To ensure the contract dates comply with the Georgia Constitution prohibiting the pledging of the state's credit, the university must set aside sufficient funds to meet the entire financial obligation of the initial term of the contract when the contract is signed. Thereafter, the University must ensure sufficient funds are available prior to exercising any renewal option. It may be necessary to structure the end of the initial term to coincide with the end of the state's fiscal year so that renewal terms will align with the state's fiscal year for budgetary reasons. Open contracts (or contracts that do not commit the University to spending any money) are an exception to this requirement.

Multiyear agreement refers to any contract which exceeds twelve months and/or will cover more than one fiscal year. When the intent is to enter into an agreement for more than one year, specific contract provisions are often required. Unless sufficient funds are on hand and obligated at the outset, to avoid pledging the state's credit, the University must divide the multiyear agreement into two or more contract terms. The most common multiyear structure is to define an initial term of twelve months or less followed by up to four one-year renewal terms which may be exercised by the University.

Unless sufficient funds are obligated at the outset, multiyear agreements must be structured as follows:

- Such contracts may be executed only on a standard form developed by the Department of Administrative Services for such use.
- The contract shall terminate absolutely and without further obligation on the part of the University at the close of the fiscal year in which it was executed and at the close of each succeeding fiscal year for which it may be renewed.
- The contract may be renewed only by a positive action taken by the University and the nature of such action shall be specified in the contract (i.e., no automatic renewals).
- The contract shall terminate immediately at such time as appropriated and otherwise un-obligated funds are no longer available to satisfy the obligations of the University under the contract. The determination of the occurrence of such unavailability of funds shall be made by the university in its sole discretion and shall be conclusive.
- The contract shall state the total obligation of the University for the fiscal year of execution and shall further state the total obligation, which will be incurred in each fiscal year renewal term, if renewed.
- The contract shall provide that title to any supplies, materials, or equipment shall remain in the vendor until fully paid for by the University.
- A contract containing the provisions listed above shall be deemed to obligate the University only for those sums payable during the fiscal year of execution or, in the event of renewal by the University, for those sums payable during the individual fiscal year renewal term. No such contract shall create a debt of the state for the payment of any sum beyond the fiscal year of execution or, in the event of a renewal, beyond the fiscal year of such renewal.

- The contract may provide for the payment by the University of interest or the allocation of a portion of the contract payment to interest so long as the contract is in compliance with the provisions listed above.

Contract renewal and monitoring of multiyear agreements are part of contract administration. Other aspects of contract administration include monitoring of supplier performance, monitoring of payments, and documenting and communicating contractual and vendor issues to the Procurement Office. Continued communication and documentation throughout the life of the contract is essential to protect the rights of the University and ensure vendor compliance.

Reason for policy

This policy ensures compliance with State of Georgia requirements for contract administration and provides information regarding contract administration, renewable agreements and multiyear agreements and how renewals are processed.

Procedures

The end user department and Procurement Office should work together to maintain a complete file of all documents and communications related to vendor performance during the contract period. Documentation may include, but is not limited to, noting any discrepancies and following up with the vendor, documenting actual performance against scheduled performance, addressing the dedicating of sufficient resources and appropriate personnel to the contract, etc.

For renewals, the end user department should conduct the following steps:

- I. Verify that there are no existing statewide contracts which would meet the state entity's needs. If a mandatory statewide contract exists, the state entity must request a waiver from SPD (UGA Procurement will complete the required waiver paperwork on behalf of the end user department) prior to exercising a renewal option. If a convenience statewide contract exists, the state entity is not required to request a waiver; however, the state entity should first ensure that the overall cost and conditions of the state entity's contract are more favorable than the convenience statewide contract.
- II. Confirm that there is at least one valid renewal option remaining on the contract. Usually the end user department will receive an automated email from Procurement 90-120 days prior to the expiration of a contract which will let the end user department know whether a renewal option is available. If the department has any questions as to whether a renewal is available they should contact [Procurement](#).
- III. Complete Contract Assessment Report and determine that the supplier has performed satisfactorily and met all of the requirements set forth in the contract.
- IV. If funds need to be obligated, generate a requisition in UGAmart identifying the goods/services to be purchased, the contract vendor, and pricing for the next term. The requisition should identify which contract is being renewed (either the Agency Contract number or the previous year's PO). The Contract Assessment Report created in step 3 should be attached to the requisition. If funds do not need to be obligated, the above information should be emailed to the buyer within Procurement who handles the commodity.

The Procurement Office will conduct the following steps upon receiving a request from the end user department to renew the contract:

- I. Confirm that renewal options are available.
- II. Complete the Contract Renewal Template and submit to the vendor for signature if required.
- III. Request additional documents and/or approvals including:
 - For contracts exceeding \$100,000.00, the contract administrator must re-verify the supplier's tax compliance with Department of Revenue prior to processing a contract renewal.
 - [Immigration and Security Form](#) (Contractor Affidavit) (if applicable)
 - Insurance Certificate (if applicable)
 - Performance Bond (if applicable)
 - Payment Bond (if applicable)

- Letter of Credit (if applicable)

4. Fully execute the Contract Renewal Template, renew the agreement within UGAmart, and if applicable, issue the purchase order to the vendor.

Forms/Instructions

[Contract Assessment Report](#)

[Contract Renewal Template](#)

Additional contacts

[Robert Currey](#)

Phone Number: 706-542-2361

Responsibilities

Responsible University Senior Administrator: Vice President for Finance & Administration

Responsible University Administrator: Procurement Officer

Policy Owner: [Procurement](#)

Policy Contact: [Robert Currey](#)

Phone Number: 706-542-2361

Responsibilities: It is the responsibility of the end user department to complete the Contract Assessment Report.

Responsibilities: It is the responsibility of the end user department to submit a new purchase request to establish a new agreement when there are no remaining renewal options available. The end user department should submit this request to Procurement well in advance of the expiration of the existing contract to allow time for a complete procurement process.

Record Retention

Record Copy: Procurement

Retention: 10 years from contract expiration for building construction, alterations, repairs; 7 years from contract expiration for others

[BOR 0472-14-002](#)

FAQs

Question 1? How do I renew a contract that has used all of its available renewal options or that didn't include renewal options?

Answer 1. A contract cannot be renewed if there are no remaining renewal options or if the agreement was not originally established as a renewable agreement. To obtain goods/services when renewals are not available a requisition will be required and will be processed according to the then current policies and procedures governing purchase of goods/services.

Related information

Date Reviewed: 02/01/2018

[Purchase Order Corrections and Cancellations](#) | [Receiving and Inspecting Supplies and Equipment](#)

Policy Dates

Effective Date: 01/01/2016

Date Last Updated: 06/17/2016

Date of Last Review:

Date of Approval:

Previous Version of Policy: