**XIII Hire the Contractor**

**a) Method of Contracting**

**What Is It?**

* A contract is a binding agreement between the university and an outside vendor that can be legally enforced.

**Why Is It Required?**

* The purpose of the written contract is to ensure that both parties fully understand the agreement and are committed to complying to its stipulations.

**Various Methods of Contracting**

* Standard Contract / Red Packet – This is required when construction work
* exceeds 100K
* Short Form Contract / Red Packet – This is required when construction work is at
* or under 100K
* No Contract PO –. Can be used for small work (*no $$ limit assigned yet*) with low to no risk or vendor liability.
* No contract PO for Time and Material Contractors – Refer section XII – a

**Who Is Involved and What Are Their Roles? - Standard Contract**

* Contractor / Vendor – Provide proposal / bid, insurance certificate, bonds in a timely manner.
* Project Manager – Review proposal/ bid thoroughly to make sure it meets universities terms and conditions, prepare red packet to include all its component’s for review and approval by superiors.
* Director - Review red packet and sign on the executive summary.
* Senior Director - Review red packet, sign the executive summary as well as sign the requisition after the contract is signed by VP
* AVP – Review red packet and sign on the executive summary.
* VP*-* Review red packet, sign the executive summary as well as two copies of the contract
* Business Services – Confirm availability of funds in the project account, assign requisition number as well as process requisition in online procurement system.
* Purchasing Department – Assign Purchase Order Number

**Who is involved and what are their roles? - Short Form Contract**

* Contractor / Vendor – Provide proposal / bid, insurance certificate, bonds in a timely manner.
* Project Manager – Review proposal/ bid thoroughly to make sure it meets universities terms and conditions, prepare red packet to include all its component’s for review and approval by superiors.
* Director - Review red packet and sign on the executive summary.
* Senior Director - Review red packet, sign the executive summary as well as sign the requisition after the contract is signed by VP
* AVP – Review red packet and sign on the executive summary.
* Business Services – Confirm availability of funds in the project account, assign requisition number as well as process requisition in online procurement system.
* Purchasing Department – Assign Purchase Order Number

\*\****Note: Short form contract does not go to the VP’s office.***

**Who is involved and what are their roles? - No Contract PO**

* Contractor / Vendor – Provide proposal / bid, insurance certificate, bonds in a timely manner.
* Project Manager – Review proposal/ bid thoroughly to make sure it meets universities terms and conditions, prepare red packet to include all its component’s for review and approval by superiors.
* Senior Director - Review red packet, sign the executive summary as well as sign the requisition after the contract is signed by VP
* Business Services – Confirm availability of funds in the project account, assign requisition number as well as process requisition in online procurement system.
* Purchasing Department – Assign Purchase Order Number

***\*\*Note: Director, AVP or VP signature is not required.***

**How/Process**

* **Verify the following documents:**
  + **Executive Summary**
    - Addressed to the right people (< $100,000 or > $100,000) )
    - Project number
    - Project name
    - Project description is understandable to someone unfamiliar with the project and the industry.
    - That the math works (verify against the PFA and Financial Summary)
    - If additional funding is requested make sure date of request is included.
    - If someone other than low bidder is selected be sure explanation is included as to why the apparent low bidder was not selected.
  + **Financial Summary**
    - Contract amount is in the pending column and highlighted
    - Math works (formulas have not been over written)
    - Funding is reflected.
* **Contracts**
  + Correct contract used: GC, CM, JOC, PV, Consultant, short form or regular
  + Project name and number are on cover
  + Contract sum matches bid, executive summary and financial summary
  + Unit prices, and alternates included in contract if applicable.
  + Allowances defined in contract amount if applicable.
  + Nothing has been crossed out or written in.
  + Signed by agent of the company. Verify same person signed bonds.
* **PFA**
  + Math is correct and matches financial summary (When estimated to complete is added to uncommitted funds it should equal the balance on the PFA summary.)
* **Bid tab**
  + Highlight selected bidder
  + Was low bidder selected? IF not is explanation included.
* **Bid**
  + Does bid match contract sum?
  + Are unit prices and alternates included in contract?
  + If an allowance is it clearly included in the base bid value
* **Draft Req**
  + Correct contractor
  + Correct account
  + Commodity code included
  + Project number and name
  + Correct terms
* **Bonds**
  + Payment and Performance
  + Signed (by agent of the company). Verify same person signed contract.
  + Stamped

**Insurance certificate**

* Verify not expired
* Certificate holder should be Risk Management and their address.
* Copy to be sent to Risk Management for review

**Timeline Consideration/Critical**

* Contractor has 5 business days to return two signed copies of contract, bonds and insurance certificate
* KPI’s related to the topic….
* Vendor must not incur any cost for the project until the requisition is signed by Senior Director or a Purchase Order is assigned.

**Forms**

* See attachedcomponents of standard, short form and no contract PO

**Filing**

* File hard copy and electronic copy of executed contract in project folder.

**Reference**

* Insert link to toolbox and red packet developer

**b) Qualifications**

**What Is It?**

**Who Is Involved?**

**How/Process:**

**Checklist**

**Timeline Considerations**

**Forms**

**Filing**

**c) Red Packet**

**What Is It:**

The red packet or “red book” is a collection of documents used to explain the contract or change order for a project. For contracts it includes an executive summary, financial summary, contract, plant fund summary, proposal from the vendor, bid tab, draft requisition, bonds, and insurance. For change orders it includes an executive summary, financial summary, change order, plant fund summary, Impact report with the change order request from the vendor, change order requisition (COR).

**How/Process:**

The project manager or student assistant prepares the documents and assembles the red book. D&CS admin support logs the movement of the red book at every review through the department. The red book is approved by the supervising director, the senior director and AVP of FP&M and returned to the D&CS admin for logging at each step. For contracts and the related change orders for professional services and contracts over $100,000 the VP of FBO also approves them. Once the contract or change order is signed by the proper authority it is returned to the D&CS admin and then sent to Business Services for processing. Once a PO or COR has been assigned the packet of documents is returned to the PM to file.

**Checklist**

Construction contracts $100,000 and greater and all consultant contracts go to the VP of FBO to be signed. All contracts less than $100,000 go to the AVP of FP&M to be signed. Be sure the proper names are on the summary.

**Timeline Considerations**

**Forms**

For contracts:

Executive summary

Financial summary

Contract

Plant fund summary

Proposal from the vendor

Bid tab

Draft requisition

Bonds: See requirements below

Insurance: See requirements below

For change orders:

Executive summary

Financial summary

Change order

Plant fund summary

Impact Report with the change order request from the vendor

Change order requisition (COR).

**Filing**

1. **i. Bonds**

**What Is It?**

Contractor’s Performance bond and labor and material payment bond. The bonds will protect WSU if the contractor didn’t pay subs or suppliers or if the contractor does not complete the work the bond company will complete the work for the bid price.

The bonds are required for all projects above $50,000.00.

**Who Is Involved?**

* Contractor
* Project Manager
* Office of Risk Management

**How/Process:**

The contractor will be required to furnish a Performance Bond and Labor and Material Payment bond in an amount equal to 100% of the contract award amount, and include such cost in the Proposal, complying with the laws of the State of Michigan.

Performance Bond and Labor and Material Payment Bond shall be from a surety company acceptable to the Owner and made payable as follows:

(1) A bond for 100% of the contract award amount to the Board of Governors of Wayne State University, and guaranteeing the payment of all subcontractors and all indebtedness incurred for labor, materials, or any cause whatsoever on account of the Contractor in accordance with the laws of the State of Michigan relating to such bonds.

(2) A bond for 100% of the contract award amount to the Board of Governors of Wayne State University to guarantee and insure the completion of work according to the Contract.

C. The only acceptable Performance Bond shall be the AIA A312 – 2010.

D. Bond must be issued by a Surety Company with an “A rating as denoted in the AM Best Key Rating Guide”.

**Checklist**

* Office of Risk Management approval
* Review the bond to verify that no modification

**Timeline Considerations**

Performance & Material & Labor Payment Bonds must be provided by the Contractor with the submission of the signed contract.

**Forms**

AIA A312 – 2010

**Filing**

W:\FPM Design Const Services\Building Projects\Building Name\Project Name\1.0\_Project\_Management\B\_Contracts\_Assoc\_Docs\Bonds\_Insurance

1. **ii. Insurance**

**What Is It?**

Contractor’s liability insurance.

**Who Is Involved?**

* Contractor
* Project Manager
* Office of Risk Management

**How/Process:**

The contractor must submit a certificate of liability insurance as required by federal and Michigan law.

The insurance required shall be written for not less than any limits of liability specified in the bid’s documents, or required by law, whichever is greater, and shall include contractual liability insurance as applicable to the Contractor's obligations under the contract.

**Checklist**

* Office of Risk Management approval
* The certificate holder should be office of risk management
* The certificate should name the Board of Governors as additional insured
* WSU project name & number
* Limits of insurance per the bid’s documents

**Timeline Considerations**

Contractor’s liability insurance must be provided by the Contractor with the submission of the signed contract.

**Forms**

Not applicable

**Filing**

W:\FPM Design Const Services\Building Projects\Building Name\Project Name\1.0\_Project\_Management\B\_Contracts\_Assoc\_Docs\Bonds\_Insurance

1. **Pre-construction Meeting**

**What Is It?**

* **Kickoff meeting with contractor and stakeholders**

**Who Is Involved?**

* Contractor
* Project Manager
* Customer
* Building Coordinator
* As needed – Building Engineer, Campus Fire Marshal

**How/Process:**

* PM coordinates meeting at 5454 Cass
* PM arranges to record meeting

**Checklist**

* Make disc of meeting recording right after meeting to ensure recording is not erased by next user of the equipment

**Timeline Considerations**

* May be coordinated once draft req is signed by Senior Director
* Schedule meeting just before anticipated construction start

**Forms**

* Pre-construction kickoff meeting agenda template, in Toolbox

**Filing**

* Xxx