



POLICY DIRECTIVE

Policy:	DOC 1.2.9 CONTRACTS
Effective Date:	05/01/1996 Page 1 of 4
Revision Date(s):	12/15/2011; 04/24/2026
Signature/Title:	/s/ Eric Strauss, Director

I. POLICY

The Department will administer all contracts in compliance with Montana Code Annotated, Administrative Rules of Montana, the Department of Administration *Risk Management Policies and Procedures Manual and Procurement Delegation Agreement*, and the Department of Corrections *Contracting and Purchasing Procedures Manual*.

II. APPLICABILITY

All divisions, facilities, and programs Department-owned and contracted, as specified in contract.

III. DEFINITIONS (see Glossary)

IV. REQUIREMENTS

A. General Requirements

1. Procurement and Contracts will:
 - a. administer the routing and approval process of all contracts for services with a total contract value over \$5,000 and all MOUs, Letters of Agreement, inter-agency agreements, and inter-governmental agreements regardless of dollar amount;
 - b. maintain a centralized database of all Department contracts identified herein; and
 - c. facilitate an effective contract management process intended to minimize risk and liability and maximize efficiency.
2. Contract Definition:
 - a. A written or verbal agreement between a Department of Corrections facility/program/division and any other governmental, public, or private entity for the procurement of goods or services of any type.
 - b. The term includes:
 - 1) all written or verbal agreements;
 - 2) leases;
 - 3) Memorandums of Understanding (MOU);
 - 4) letters of agreement;
 - 5) mutual aid agreements between the Department and other state or local government entities that define the safety and security roles of all parties in the event of an incident requiring assistance from the other governmental entities; and
 - 6) subsequent amendments of said documents, regardless of whether there is any Department financial obligation.
 - c. The term does not include:
 - 1) hardware/software maintenance agreements;
 - 2) Service Level Agreements (SLA) with the Department of Administration;
 - 3) service agreements for office machines or telephone systems;
 - 4) software licensing agreements;
 - 5) revenue generating agreements; or
 - 6) purchase orders issued in accordance with the procurement delegation agreement.

B. New Contracts

1. Each facility/program/division (F/P/D) that requires a contract for services with a total contract value over \$5,000 must submit a *Contract Justification* to Procurement and Contracts well in advance of the requested contract start date.
2. Procurement and Contracts will:
 - a. work with the requesting party to draft a document that will comply with all applicable state laws and rules to meet the F/P/D needs;
 - b. assign each contract a number unique to the F/P/D;
 - c. maintain the original contract and provide a copy to the F/P/D and the contract holder;
 - d. route each contract request to the appropriate unit (for example, Budget, Accounting, Information Technology, etc.) for approval;
 - e. submit the final contract to the designated Department attorney for legal review, approval, and attorney signature; and
 - f. acquire appropriate signatures on the final, approved contract.

C. Revenue Generating Contracts

1. Each F/P/D that requires a Revenue Generating Contract, regardless of the amount, will:
 - a. draft a document that complies with all applicable laws and rules, meets the F/P/D needs, and includes a description of the service or product to be provided;
 - b. assign a revenue contract number unique to the F/P/D;
 - c. route the original contract for legal review, approval, and attorney signature, if needed;
 - d. acquire appropriate signatures on the final approved contract; and
 - e. maintain the original contract and provide a copy to Procurement and Contracts.

D. Amendments

1. All requests for contract amendments, including renewals and extensions, will be submitted to Procurement and Contracts for processing and must include a *Contract Justification* and/or *Annual Evaluation of Contractor Performance*.
2. All requests for amendments should be submitted to Procurement and Contracts well in advance of the requested or required effective date of the amendment.

E. Purchases

1. Procurement and Contracts will administer all Department purchases of goods and services, respectively, pursuant to this policy and *DOC 1.2.8 Procurement*.

F. Delegation of Contracting Authority

1. Procurement and Contracts may, on a case-by-case basis, delegate specific contracting authority to the F/P/D for contracts with a total contract value over \$5,000.
2. The F/P/D may request additional delegated contract authority.
3. The F/P/D will submit a written request to Procurement and Contracts for each contract, or type of contract, for which it seeks delegation.
4. The approval of Procurement and Contracts must be in writing and may require additional approval by another state agency.

G. Delegation

1. The F/P/D may directly enter into contracts (except those specifically excluded herein) with a total contract value of less than \$5,000 at the discretion of the facility administrator.

- a. These contracts must follow Department format and comply with Title 18, MCA, and ARM 2.5.101 through 2.5.801, and do not require review or approval from Procurement and Contracts.
- b. The F/P/D must maintain a contract log, contract copies on-site, and provide Procurement and Contracts with a signed copy of each contract within 30 days of the contract start date.

H. Contract Liaison

1. Generally, the administrator (or contract signatory) is ultimately responsible for managing contracts from the beginning to the end of the contract cycle.
2. The designated contract liaison:
 - a. serves as the primary contact person for all communications between the Department and the contractor; and
 - b. typically, provides the principal contract management and monitoring function, unless the administrator and contract liaison otherwise agree.
 - 1) oversees day-to-day operations and provision of services by the contractor;
 - 2) determines necessary contract changes and notifies Procurement and Contracts of requested changes;
 - 3) negotiates contract terms, scope of service, and compensation;
 - 4) reviews invoiced services (per contract) and approves for payment, as appropriate;
 - 5) monitors contracts to ensure contractor compliance with contract terms;
 - 6) evaluates contractor performance (annually) or more often, as necessary;
 - 7) submits *Contract Justification* for new contracts or renewal of existing contracts;
 - 8) submits quarterly contract reports; and
 - 9) submits annual contractor performance evaluation reports.

I. Monitoring Contracted Services

1. A critical part of the contract monitoring process is the selection of an appropriate individual.
 - a. The administrator should select a contract liaison and/or contract monitor based on the individual's knowledge, skills, and abilities to effectively carry out the responsibilities of the position.
2. Responsibilities of the Contract Monitor:
 - a. be intimately familiar with and fully understand the contract language, including the specific contract obligations, and determine the performance indicators by which performance will be monitored;
 - b. determine the methods to be used to measure and track contractor performance and levels of performance acceptable to the F/P/D;
 - c. assess the risks related to the project before contracting for services to determine the extent of monitoring appropriate to the contract;
 - d. ensure the contractor has a clear understanding of how the contract will be managed and monitored;
 - e. provide the contractor with guidance and technical assistance, as needed, to promote effective contract performance;
 - f. monitor the contractor's activities through a variety of means to ensure quality service delivery;
 - g. resolve issues or problems that arise during the contract;
 - h. identify potential contract inefficiencies and risks that, if eliminated, would result in a cost savings to the Department;
 - i. review invoices and verify that the Department is being billed in accordance with the contract terms and that the billed services were provided;
 - j. notify the contractor of discrepancies in billing and contract compliance issues;
 - k. share contractor performance information with appropriate Department staff;

- l. document all contract monitoring activities to validate consistent and effective contract management; and
- m. submit an *Annual Evaluation of Contractor Performance* to Procurement and Contracts, annually, and prior to renewal of an existing contract.

J. Evaluation of Contractor Performance

1. Administrators shall ensure that the performance of all contracted service providers is evaluated prior to entering into contract negotiations and prior to requesting renewal of a contract, but not less than annually.
2. The *Annual Evaluation of Contractor Performance* shall be documented using the forms designated by Procurement and Contracts.
3. Contracts will not be renewed with contractors with an overall evaluation rating of less than "satisfactory," as determined by an assessment of the evaluation of the ratings provided on the *Annual Evaluation of Contractor Performance*.
4. Documentation of contractor performance shall be kept by the contract liaison or monitor in a designated contract file and shall include, at minimum:
 - a. a copy of the contract, as amended;
 - b. invoices;
 - c. memos to contractor;
 - d. a log of discussions with contractor;
 - e. actions taken by the contractor;
 - f. reports; and
 - g. other documents necessary to support contract monitoring activities.

K. Quarterly Contract Reporting

1. Contract liaisons shall submit quarterly contract reports to Procurement and Contracts using the authorized reporting form.
2. Reports shall be submitted by the time and date identified by Procurement and Contracts.
3. Quarterly contract reports are not required for the contract types specifically excluded in the "Contract" definition.

L. Contract Compliance

1. The Director and each Warden and Division Chief are responsible for ensuring Department compliance with contracting requirements.

V. CLOSING

Questions about this policy should be directed to Financial Services.

VI. REFERENCES

- A. 2-15-112, MCA; 3-1-203, MCA; 53-30-132, MCA; 53-30-133, MCA; Title 18, Title 28, MCA
- B. ARM Title 2, Chapter 5
- C. DOC 1.2.8 Procurement
- D. Procurement Delegation Agreement, Department of Administration

VII. FORMS

Annual Evaluation of Contractor Performance
Contract Justification