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DATE: April 21, 2008
TO: Campus Administrators
FROM: Leroy M. Morishita, Vice President & CFO
Administration & Finance
SUBJECT: Contracting Authority

This memorandum serves as a reminder that the general campus community does not have the authority to sign contracts or other documents that involve an obligation of University resources. That authority has been delegated by the President to specified personnel in the Procurement Department. Commitments, verbal or written, made by any faculty or staff who do not have delegated authority are not binding on the University and, unless subsequently accepted by the University, are the personal responsibility of the individual making the commitment.

The requirement for delegated contractual authority applies regardless of the dollar amount of the transaction. The Division of Fiscal Affairs provides two options to facilitate low value purchases. One is the University Procurement Card; information about the P-card program can be found at <http://fiscaff.sfsu.edu/departments/pcard/>. The other option is Direct Pay for certain qualified transactions; the Direct Pay policy and form are on line at <http://fiscaff.sfsu.edu/departments/ap/>. Please note that Accounts Payable may reject any Direct Pay request that does not meet the criteria established for this procedure. The campus party initiating the transaction is personally responsible for the payment obligation until such time it has been accepted by Accounts Payable.

Questions often arise whether all agreements that campus parties make with outside entities rise to the level of a contract that should be reviewed by Procurement, or signed by someone with specifically delegated authority. The broadest definition of a contract is an agreement between parties that involves an exchange of value. Certainly when the exchange of value is financial, the agreement must be in writing and be signed by an authorized individual. However, value does not need to be monetary. It can be in kind services, intellectual property, the provision of space, even a commitment to future activity. Such agreements are sometimes called Memoranda of Understanding, Letters of Intent, etc. A contract does not need to be signed by both sides to be enforceable. Although such arrangements may not seem to be "contracts" with formal terms and conditions, you should still ask Procurement to review them.

Please direct any questions regarding this memorandum to Stephen Smith, Director of Procurement, 338-3879, scsmith@sfsu.edu.

Cc: Larry J. Ware, A.V.P. for Fiscal Affairs
Stephen Smith, Director of Procurement