

## **Frequently Asked Questions Regarding Contracts**

### **Why can't I or any other employee sign contracts?**

As is common in all corporations, the governing board, which in the University's case is the Board of Trustees, has delegated the right to sign external contracts to only a few select individuals. These authorized signatories are outlined in policy FN11. This is done because those select individuals know how the review process flows and can ensure a contract has been properly reviewed and recommended for their signature.

### **What is meant by "external" contracts?**

An external contract is where one or more parties to the contract are separate legal entities from the University. An "internal" contract exists when all parties to the contract are part of the legal entity "The Pennsylvania State University". Internal contracts do not go through the review process and are signed by the various University departments involved, rather than an officer of the Board of Trustees.

### **Why are "internal" contracts handled differently?**

The difference is that one department of the University cannot take another to court and the Liability Insurance carriers are the same for all University departments. In other words, the University's "right hand" does not sue the "left hand".

### **Where can I find the Contracts Policy?**

University policy FN11 can be found at the following link on GURU:

<http://guru.psu.edu/policies/FN11.html>

### **What's the difference between a contract and an agreement, memo of understanding, letter of intent, etc.?**

None. No matter what name it is given, if it legally binds a party or parties it is considered a contract. Note: The majority of contracts are signed by two

or more parties. There are exceptions. For example, the University's Indemnification Agreement for non-University entities using University facilities is only signed by the User. Another common exception is a Purchase Order issued by any legal entity where it is unusual for any signature but the Buyer's authorized representative to be affixed.

### **Is an application form a contract?**

It can very well be a contract depending on what it contains. A "true" application normally contains only references to what you are applying for plus the necessary information such as name, address, date, time, etc. An application form that contains terms or conditions, responsibilities, mentions liability of any type, or talks about insurances is probably a contract and would be treated as such in court. It should be noted that most of all "applications" reviewed by Risk Management are actually contracts.

### **What types of contracts does Risk Management review?**

Click [here](#) to see a list of "External Contracts" reviewed by Risk Management.

### **Why is Risk Management concerned with changing or reviewing contracts involving a minimal amount of dollars?**

Contracts are reviewed in terms of the risk to the University rather than in terms of the dollars involved. We have seen contracts where no dollars were involved but where the liability of the University was huge and not always insured.

### **What is Risk Management looking for in its contract reviews?**

The contract language is being reviewed to determine if the liability language is balanced. The University only wants to be held responsible for its own actions and not the acts or negligence of other parties. It should be noted that it is the responsibility of the department, college or campus to have reviewed the contract and made any desired changes in the technical language before sending the contract to Risk Management. Contracts are being reviewed for policy and legal ramifications and will be changed

accordingly to protect the University's interests. Contracts are not reviewed for accuracy of content or business purpose.