

PERSONAL SERVICE CONTRACTS

POLICY TYPE: ADMINISTRATIVE

RESPONSIBLE OFFICIAL TITLE: CHIEF FINANCIAL OFFICER

RESPONSIBLE OFFICE: PROCUREMENT

EFFECTIVE DATE: 5/15/2013

NEXT REVIEW DATE: 5/15/2017

SUPERSEDES POLICY DATED:

BOARD OF REGENTS REPORTING (CHECK ONE):

PRESIDENTIAL RECOMMENDATION (CONSENT AGENDA/VOTING ITEM):

PRESIDENTIAL REPORT (INFORMATION ONLY)

I. POLICY STATEMENT

A Personal Service Contract (PSC) is a formal contract that is created when professional services, which are not available within the University, must be provided by an outside vendor.

A Memorandum of Agreement (MOA) is very similar to a PSC. It is used when the agreement is between the University and another Kentucky state agency or government entity.

PSCs and MOAs are governed by state law in the Kentucky Revised Statutes ([KRS 45A.690–45A.725](#)). The University's policies have been established in compliance with these statutes.

The following types of services require a PSC or MOA:

- Consulting
- Legal
- Auditing
- Architectural and Engineering
- Medical
- Appraisal
- Auctioneering
- Miscellaneous Professional Services that require professional training, licensing, or certification and are not available through the sealed bid process.

A PSC may **not** be used for anyone who is an employee or student.

All PSCs and MOAs should include the following information:

- Department name
- Vendor name, address, and Social Security Number or Federal Tax ID
- Description of services
- Begin and end dates
- Fixed fee or fee schedule
- Description of allowable reimbursable expenses
- Not to Exceed amount (fee plus allowance for reimbursable expenses)
- Signatures: Vendor, NKU department representative monitoring contract
- Approval: Director of Procurement
- Proof of Necessity Form completed and submitted with the PSC

PSCs and MOAs must be submitted to the Legislative Research Commission (LRC) in Frankfort, Kentucky. The Government Contract Review Committee (GCRC) meets once monthly to review and approve all contracts submitted to the LRC in the previous calendar month.

- Contracts over \$10,000 must be submitted to the LRC **prior** to the start of the work.
- Contracts for \$10,000 and under must be submitted to the LRC within 30 days of the effective date of the contract.
- Contracts cannot extend beyond the end of the current fiscal biennium.

A contract amendment or extension must be submitted if the contract amount must be increased over the original contract amount or if the work will extend beyond the contract end date. If both conditions exist, two separate forms must be submitted, one for the amendment and one for the extension.

The LRC has established the following 90-day policy for contract amendments:

“No personal service contract amendment coming before the committee for review shall be in order any sooner than ninety (90) days after a committee action on the contract, unless the amendment is supported by a detailed explanation, addresses to the committee, citing specific valid and justifiable reasons for amendment of the contract. The failure of a contracting body to accurately estimate the total amount of a contract or proposed contract shall not constitute the sole reason for amending a government contract.”

If contractual work needs to continue beyond the end of a fiscal biennium, a new contract must be submitted to the LRC as a renewal for the new fiscal biennium.

Payments cannot be made on a contract until approval is received from the LRC.

Rates for some types of services (legal, audit, auctioneer, real estate appraisal) are restricted by Maximum Allowable Rates established by the LRC. Those intending to use these types of services should contact the Procurement Office.

Legal Contracts must be approved by the Governor before they are submitted to the LRC.

Vendor Registration

Foreign Corporations (out of state vendors) doing business within the Commonwealth of Kentucky are required to be registered with the Secretary of State, New Capital Building, Frankfort, Kentucky, and must be in good standing. This applies to corporations, LLCs, and LLPs. It is not required for vendors being paid as individuals.

All vendors performing work or services on NKU's campus must possess a Campbell County Occupational License and a City of Highland Heights Occupational License and must pay applicable payroll taxes. It is the vendor's responsibility to contact these government entities to determine licensing and tax requirements.

Personal Service Contract Payments:

- Vendors must submit a Personal Service Contract Invoice Form with each invoice. This is a statutory requirement.
- The PSC Invoice Form must be signed by the Vendor and by the NKU department representative who is monitoring the contract.

- The approved invoice and Invoice Form should be submitted to the Procurement Office for contract verification. The invoice will then be forwarded to Accounts Payable for payment.
- Care should be taken to include all allowable fees and reimbursable expenses when creating a PSC, as payment can only be made for fees and expenses stated in the contract.

Speakers, Entertainers, and Honoraria:

- Contracts for speakers, entertainers, and performing artists are exempt from GCRC review. Contracts for these types of services should be submitted on the Speaker/Entertainer Contract Form.
- Honorarium payments do not require a written contract- use only when payment is \$1,000 or less and there are no reimbursable expenses being paid.
- Payments to International/non-US Citizen individuals require approval from the Payroll Department to ensure all state and federal requirements for International Payments have been met. Please contact Payroll for approval before completing a contract. Information regarding International payments can be found on the Payroll website.

How to Process a Personal Service Contract

- For contracts over \$10,000, please contact Procurement Services before proceeding to determine if a Request for Proposal or Single Source Justification is required.
- Advise vendor of Registration Requirements:
 - Secretary of State registration
 - Campbell County and City of Highland Heights Occupational Licenses
- Complete a Proof of Necessity (PON) form:
 - Department must sign;
 - Complete all sections;
 - Provide adequate detail- this is the justification for the contract and is used by the GCRC to approve the contract.
- Complete a Personal Services Contract form:
 - Vendor and Department must sign.
 - Provide adequate detail. This information is used by the GCRC to approve the contract. Inadequate or unclear descriptions may delay the approval of the contract.
 - Use Memorandum of Agreement form if the agreement is with another
 - Kentucky state agency or government entity.
- Ask vendor to complete a Vendor Setup Form if they are not in SAP as a vendor.
- Forward completed PSC or MOA, PON, and Vendor Setup Form to Procurement Services at least 5 business days prior to the start of the contract.
 - Include additional backup documents such as Single Source Justification or RFP documents if required.
- Enter a purchase requisition into SAP for the full amount of the contract.
- Procurement Services will do the following:
 - Review the contract documents
 - Verify vendor registration with the Secretary of State's office
 - Submit the contract to the LRC
 - Issue purchase order
 - Provide notification when the contract has been approved.

- Work may begin when a purchase order is issued, or when Procurement has advised that the contract has been submitted to the LRC and it is okay for work to proceed. Payment may not be made until the contract has been approved by the GCRC.
- Invoices must be submitted with a completed Invoice Form.
- All changes to a contract must be submitted to the LRC on a PSC Renewal/Amendment/Extension form. Contracts cannot be amended within 90 days of the original contract unless it is submitted with a “90 Day Letter”. (Contact Procurement Services for information on 90 Day Letter requirements.)
- When the contract is complete, notify Procurement Services to:
 - Close contract
 - Close purchase order if there is an open balance.

How to Process a Speaker/Entertainment Contract:

- Advise vendor of Occupational License requirements for Campbell County and the City of Highland Heights. It is the vendor’s responsibility to contact these government entities to determine licensing and tax requirements.
- Complete Speaker/Entertainment Contract and submit to Procurement Services.
- Ask vendor to complete Vendor Setup Form if they are not set up as a vendor in SAP. Submit form to Procurement Services after all signatures are obtained.
- Enter a purchase requisition into SAP. Procurement Services will issue a purchase order.
- Submit vendor invoice, signed and approved for payment, to Procurement Services after services are complete.

PSC information can also be found in printable PDF form on the Procurement Services website.

II. ENTITIES AFFECTED

Anyone initiating a personal service contract in NKU’s name

REVISION HISTORY	
REVISION TYPE	MONTH/YEAR APPROVED
Formatting and editing for clarity & consistency <ul style="list-style-type: none"> - Punctuation corrections - Minor rewording throughout to remove the word <i>you</i> 	August 9, 2019 (editorial)
Policy	May 15, 2013