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LEGAL

## Corral your contracts

By Eileen Johnson

Managing your association's contracts is like herding cats. Just when you think you have it all under control, one gets away from you. What can you do to round them up into a comprehensive contract management program?

### Identify the Contracts

To adopt a contract management program for your association, you first have to identify what constitutes a contract. They come with many different labels. Whatever it is called—contract, agreement, LOA, MOU, MOA, invoice, purchase order, mortgage, lease, license, assignment, or grant—any agreement, written or verbal, that obligates your association to do something is a contract.

First, conduct an inventory of current contracts by identifying all vendors, suppliers, and independent contractors with which the association is currently working. Do this on a departmental or even more granular basis so that a clear picture

emerges of the variety and extent of your contracts.

### Define the Problem, Design the Solution

Mismanagement of contracts can lead to several problems, and the elements of your association's contract management solution will depend on the problems you aim to solve. You should also consider adding some best practices to avoid problems that you have not yet experienced.

If automatic renewals are giving you headaches, include a policy that prohibits or regulates these. Implement a system to track which contracts have automatic renewal provisions and the deadlines to give notice of termination.

If payment due dates or other milestones are being missed, develop a way to track the due dates with enough lead time to enable your finance staff to generate a payment.

If anyone can sign a contract and no one is looking out for the association's rights, build procedures for review and approval of contracts, including required standard contract terms and review by your association's legal counsel when appropriate.

### Contract Management Programs and Policies

A contract management program will

- Identify the types of contracts covered;
- Specify staff authorized to enter into contracts for the association;
- Correlate contracts with budgets;
- Provide for a review "up the ladder" when certain dollar amounts or other factors are involved;
- Specify when a contract must be reviewed by the association's attorney;
- Identify contract templates or forms that can be used without further approval;
- Set forth certain standard contract terms such as insurance requirements or renewal notices;
- Indicate where originals of contracts are to be filed and maintained.

A contract management policy supports the contract management program by spelling out the various rules and practices to be followed, such as those above.

The contract management policy also goes hand in hand with your association's records management policy (aka document retention and destruction policy). Copies of contracts should be maintained for at least one year after the statute of limitation for contract claims has passed. While this may be one year in some states (for a holding period of two years) it could be longer in states such as New York, which has a six-year statute of limitations. Federal law might also require that certain contracts, such as those relating to employee benefits or government grants, be kept for a longer period. Consult your association's legal counsel for the document retention periods applicable to your association's contracts.

### Contract Management Software

It used to be that associations designed their own contract management systems, often using a spreadsheet to track contracts and important due dates. Now so many contract management software programs are available that you should be able to find one that fits your budget.

Off-the-shelf programs often provide greater functionality than user-developed programs and have the added benefit of customer support and available enhancements. Pricing varies depending on the features selected and the number of users. Programs are designed to run on small local area networks, client servers, or via the web. With some systems, you can store electronic versions of your contracts, further integrating your contract and records management programs.

### Results Matter

Managing your contracts might seem to be an overwhelming task when you begin, but once the backlog is accounted for and all contracts are in the system, you will reap the benefits of being more organized and knowing what contractual obligations your association has incurred. The result is a greater ability to control costs and monitor the quality of products and services provided to your association.

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