



# Letter of Understanding (LOU)

PROCESS INSTRUCTIONS: (**requires** Adobe Acrobat 9 Pro *or later*)

1. Open the Template in Adobe by double clicking on the Template PDF file. It opens in Adobe, and has “Microsoft Word” editing functionalities.
2. Save a copy of the template to your computer as a pdf file, descriptively named. Fill in the copy.
3. Notice the **RED outline** around many (but not all) of the fields. These are the “Required” fields which must be filled in.
4. Complete the form and email to Procurement for initial processing and logging in.
5. After initial processing, Procurement will return it to you for distribution to the University.
6. University representatives shall sign and date the LOU and return the original to IUP, for routing for signatures.
7. Once fully executed, PDF copies will be distributed to all the parties.

Field by field information:

1. **UNIVERSITY:** Use the drop down box feature and select the appropriate University.
2. **LOU TRACKING #:** Leave this field as you found it. The Procurement Office will assign a tracking number to this LOU and enter it into its log.

## Program Information

3. **NAME OF PROGRAM:** Enter a descriptive Title for the LOU. (**Red outline**  required field)
4. **AMOUNT OF THIS LOU:** Enter the dollar amount – this is a pre-formatted field, do not use the dollar sign or commas; if you do not use a decimal point in your entry, the form assumes an even dollar amount -- e.g. inputting “123456” displays as “\$123,456.00”, while typing in “7392.8” displays as “\$7,392.80” – If this is a “no cost” agreement, type a zero (“0”) in this field.
5. **UNIVERSITY MAY EXCEED AMOUNT BY:** The default value is already displayed. Use the drop down box to select allowable overages of 2%, 5% or 10%. You may also type in a dollar amount, i.e. “\$5,000.00” but you must input the dollar sign, comma, and decimal point, since the field is formatted as “text.” To overwrite the existing text, select the existing text and type the desired entry.
6. **WILL FUNDS BE PAID IN ADVANCE?:** If funds will be transferred to the University prior to any work being done, answer “Yes.” If the University will invoice IUP for payment(s), keep the default answer, “No.” If this is a zero cost LOU, select “N/A.”
7. **WILL UNEXPENDED AMOUNTS BE RETURNED UPON COMPLETION OF THE PROJECT?:** Using the drop down box, change from the default response to “NO” only if funds will be paid in advance and the University will not, or does not intend to, return unused funds.
8. **SUBMIT INVOICES:** The default value is to submit quarterly invoices for completed work. You may select other values using the drop down box. Choose the appropriate response. If you choose “OTHER” then you must fill in the next field.
9. **OTHER:** To make an entry in this field, select the current text and type in the invoicing schedule you wish to follow. For example, if there will be a one-time payment at the end of the project, select the existing text and type “One-Time payment, upon completion.”

10. **MAY LINE ITEMS BE RE-ALLOCATED PER SECTION 3?:** Refer to the Terms and Conditions page, section 3 for explanation. Select the appropriate response.
11. **INVOICES SUBMITTED AFTER THIS DATE WILL NOT BE PAID:** Enter the date after which no invoices will be paid. For example, if the project is being financed by a grant, you may want to enter the date the grant expires, or 30 days after the LOU expires, etc.
12. **LOU AUTHOR:** Select the existing text and type your name in this field.
13. **LOU EFFECTIVE DATE:** selecting the drop down box provides a calendar to assist you in entering a choice. Note that the Effective Date can never be earlier than the Execution Date. You may enter a specific date (mm/dd/yyyy), or the words, "Upon Execution," etc.
14. **LOU EXPIRATION DATE:** Enter the specific date the LOU expires.

### Work Statement

15. **ATTACHMENTS/NO ATTACHMENTS:** Indicate the presence of any attachments, i.e. intellectual property provisions, budgets, supporting documentation, etc. **NOTE: to attach a document** to the form, click on the paper clip icon at the bottom left side of the form. A dialog box will open. Click on the "Add" icon and browse to the file you wish to attach. Double click on the filename. **To view an attachment** click on the paper clip icon to bring up the dialog box. Double click on the file you wish to open.
16. **LIST ATTACHMENTS:** Type in the name(s) of the file(s) attached to the document, and make sure the "ATTACHMENTS" radio button is checked.
17. **WORK STATEMENT:** Essentially, this is the detailed description of the work and remuneration to which you are agreeing. This is the area in which you specify all the expectations between the parties, listing the deliverables, budget guidelines, timelines, etc. If you need more space, continue by creating appendices by attaching (Word, Excel, PDF, etc.) files to the form. Refer to items 15 and 16, above.

#### **Guidelines for writing a Work Statement**

Clear and concise wording of the Work Statement will result in a clear and concise Letter of Agreement (LOA). The Work Statement determines the probability for a university to satisfactorily complete the goals of the LOA. Further, the Work Statement emphasizes considerations, applications, and options important to IUP, such as the methods and mechanics of executing the activity or work specified in the Work Statement. In addition, it stresses the expected technical and professional excellence, university creativity, and timeliness (for reporting interim progress or final delivery of the deliverable). The Work Statement serves as a baseline to measure progress and LOA change requirements throughout the performance of the LOA.

Use Plain English. Compose the Work Statement in a language plainly understandable to the university. Unambiguous language is essential because of possible misinterpretation by a university. When developing the Work Statement:

- State activity or work requirements plainly, logically, and in chronological order.
- Include graphics (e.g., illustrations, diagrams, tables, and charts) to assist in describing the activity or work and the related requirements.

- Avoid words that allow for multiple interpretations (e.g., "include," "average," "adequate," and "or equal").
- Employ plain words and phrases (no obscure technical jargon) in concise and simple sentences.
- Use "shall" to express a mandatory condition; use "will" to state a declaration of purpose or intent.
- Emphasize the active rather than the passive voice.
- Select verbs that identify activity or work specifications (e.g., "analyze," "attend," and "audit") and those that answer explicit questions.
- Avoid "and/or," "any," and "either" because these words imply that the university may make a choice, which could conflict with the intent of the Work Statement.
- Replace pronouns and repeat nouns to preclude any misinterpretation.
- Use the same phrase or word, especially when referring to technical terms or items.
- Avoid "catch-all" phrases (i.e., "to the extent necessary," "as required," or "as applicable") because they confuse the scope of the issue or problem.
- Spell out acronyms and abbreviations the first time they are used and put the abbreviated version in parentheses after the spelled-out phrase.

Eliminate subjectivity. A clear and detailed Work Statement will eliminate any subjectivity in determining if the university is properly implementing the provisions of the LOA. In addition, including project details in the Work Statement will uncover issues and problems that can be addressed prior to the completion of the Work Statement. A detailed description of the project's scope; requirements, expectations, and goals; and performance criteria will avoid the cost and annoyance of attempting to modify the LOA during or after implementation.

### **IUP Funding**

18. **COST CENTER OR GRANT:** Determine the source of the funding, and indicate either "Cost Center" or "Grant."
19. **COST CENTER:** If the funds will come from budgeted line items, indicate in the "IUP CC Number:" field the 10-digit cost center to be charged.
20. **INTERNAL PO#:**
  - a. If funds will be disbursed **using invoices**, rather than transfers, create a Purchase Requisition in SAP for the amount of the LOU. Upon release/approval, Procurement will issue an internal PO against which invoices will be received (MIGO) and paid. Procurement will fill in this number when it has been generated.
  - b. If funds will be disbursed **using direct transfers** to the University, a PR/PO should not be generated.
21. **GRANT:** If the funds are being disbursed from a Grant, indicate the 11-digit Work Breakdown Structure (IUP Grant WBS Number:) in the 12 spaces provided. You must enter the decimal point when inputting this number, i.e. "4002221000.1" If known, please fill in any pertinent grant information in the following (non-required) fields:
  - a. **GRANT FUNDING ANNOUNCEMENT#:**

- b. GRANT FUNDING ANNOUNCEMENT DATE:
- c. GRANT FUNDING AWARD #:
- d. GRANT FUNDING AWARD DATE:
- e. SOURCE OF GRANT FUNDS:
- f. IF "OTHER"

**University Accounting Instructions**

22. **UNIVERSITIES SHOULD RECORD AS "MINOR OBJECT"**: Select the underlined portion of the field and type in the University's Minor Object number, if known. The University's accounting department should be able to supply this information.

23. **UNRESTRICTED FUNDS**: Indicate whether funds are Restricted or Unrestricted.

**Budget Information**

24. **SALARY/WAGES**: List budgeted cash Salary or Wages allotted to the project.

25. **ASSOCIATED BENEFITS (SOCIAL SECURITY, RETIREMENT, ETC.)**: List budgeted funds committed for the payment of "associated benefits" (e.g. employer-paid taxes, retirement contributions, etc.)

26. **TRAVEL**: List travel expenses budgeted in accordance with IUP and PASSHE policy/procedures.

27. **SUPPLIES**: List budgeted amounts set aside for supplies.

28. **OTHER (LIST)**: In the first field, describe the "other" expenditures. In the 2nd field, enter the total dollar amount devoted to all "Other (list):" expenditures.

29. **CAPITAL EXPENDITURES**: Note that all capital purchases become the property of the University. In the first field, list the descriptions of all the capital expenditures covered by this budget. In the 2nd field, list the total budgeted amount for Capital Expenditures.

30. **TOTAL EXPENDITURES**: Enter the Total of items 24 through 29.

31. **SELECT ONE: (if applicable)**

- a. UNIVERSITY WILL BE REIMBURSED FOR EMPLOYEE SALARY AND BENEFITS:
- b. EMPLOYEE WILL RECEIVE COMPENSATION VIA PAYROLL:
- c. UNIVERSITY WILL BE REIMBURSED FOR FACULTY RELEASE TIME:

**Signatures**

32. IUP

- a. Cost Center Manager
- b. Project Director (Optional)
- c. Director of Procurement Services
- d. Associate VP of Finance (if over \$10,000.00)
- e. University Legal Counsel (Required for all LOU's)

33. UNIVERSITY

- a. Project Director
- b. VP Administration & Finance (or Delegate)
- c. Controller (if over \$10,000.00)
- d. Grant Officer (if applicable)

**Terms & Conditions**

Standard to all Letters of Agreement, no input required.