



## Letter of Understanding (LOU)

Agreements between parts (University or Office of the Chancellor) of Pennsylvania's State System of Higher Education (State System) are not contracts. The arrangements should be treated as internal transactions and memorialized in the format of a Letter of Understanding (LOU).

### Instructions for End-Users

1. Contact the Procurement Office to obtain an LOU Tracking Number.
2. Save a copy of the LOU template as the LOU Tracking Number.
3. Complete the LOU and include any applicable attachments.
4. Send the LOU to the Procurement Office for initial processing.
5. After initial processing, the Procurement Office will return the LOU to the end-user for distribution to the appropriate signatories at the Office of the Chancellor and the University.
6. Upon receipt of the signed LOU, send the original LOU to the Procurement Office. The Procurement Office will obtain the other required signatures.
7. Once the LOU is fully executed (when all parties have signed it), a copy of it will be distributed to the end-user by the Procurement Office. Send a copy of the LOU to the University.

### Completing the LOU Form

All fields marked with a red asterisk are required fields.

#### Section 1. Program Information.

University*:	Use the dropdown box feature and select the appropriate University.
LOU Tracking Number:	The Procurement Office will assign an LOU Tracking Number.
Name of Program/Activity*:	Enter a descriptive title.
Author*:	Enter your name.
Title:	Enter your title.
Department:	Enter your department.
LOU Effective Date*:	Enter the effective date.
LOU Expiration Date*:	Enter the expiration date.
LOU Amount:	Enter a dollar amount. If the LOU is a "no-cost" agreement, enter zero ("0").
Payment Exceeding LOU Amount:	Using the dropdown box, select allowable overage of either 0%, 2%, 5%, or 10%.
Funds Paid in Advance:	If funds will be transferred to the University prior to any work being done, select "Yes." If the University will invoice the Office of the Chancellor for payment(s), answer "No." If this is a zero cost LOU, select "N/A."

- Unexpended Amounts: Using the dropdown box, select “No” only if funds will be paid in advance and the University will not, or does not intend to, return unused funds.
- Payment Schedule: Select the applicable payment schedule from the dropdown box. If selecting “Other,” complete the next field with a description.
- Payment Schedule—Other: Enter a description.
- Reallocation: Select an option from the dropdown box. Refer to Section 6.c., Budget, for an explanation of reallocating funds among or within budget categories.
- Final Invoice Date\*: Enter the date after which no invoices will be paid. For example, if the project is being financed by a grant, it may be desirable to enter the date that the grant expires, or 30 days after the LOU expires, etc.

## Section 2. Work Statement.

- Deliverables\*: Enter a description of the deliverables and expectations of the parties. If additional space is required, use a separate document and attach it to the LOU. Essentially, this is the detailed description of the work and remuneration agreed upon. Specify all the expectations between the parties, listing the deliverables, budget guidelines, timelines, etc., in this area.
- Attachments: Select “Yes” or “No” from the dropdown box.
- List Attachments: If attachments are included with the LOU, provide the names of the files.

## Section 3. Office of the Chancellor Funding.

Determine the source of the funding and complete the appropriate funding section: cost center funding or grant funding.

### Cost Center Funding

Use Cost Center Funding if the funds are disbursed from budgeted line items within a cost center.

- Cost Center Number\*: Enter the appropriate 10-digit cost center number if funds are coming from budget line items.
- Internal Purchase Order: The Procurement Office will insert the applicable Purchase Order number. Note: If funds will be disbursed via invoice, create a Purchase Requisition in SAP for the amount of the LOU. If funds will be disbursed via transfer, a Purchase Requisition is not required.

### Grant Funding

Use Grant Funding if the funds are disbursed from a grant.

- Grant WBS Number\*: Enter the appropriate 11-digit Work Breakdown Structure (WBS) number. Include the decimal point of the WBS number.

If known, enter any pertinent grant information in the following fields:

Grant Funding Announcement Number.

Grant Funding Announcement Date.

Grant Funding Award Number.

Grant Funding Award Date.

Source of Grant Funds: Select the appropriate source of funds from the dropdown box. If selecting "Other," provide a description in the next field.

Description of "Other" Source: If "Other" was selected in the Source of Grant Funds field, enter a description of the Source of Grant Funds.

#### **Section 4. University Accounting Instructions.**

Record as Minor Object: Enter the University's minor object number, if known. The University's accounting department should be able to provide this information.

Type of Funds\*: Select the applicable response from the dropdown box.

#### **Section 5. Budget Information.**

Provide additional budget details, as necessary, in a Work Statement.

Salary/Wages: Enter the budgeted cash salary or wages allotted to the project.

Associated Benefits: Enter the budgeted funds committed for payment of associated benefits (Social Security, Retirement, etc.).

University Reimbursement: Select the applicable response from the dropdown box.

Additional Compensation: Select the applicable response from the dropdown box.

Faculty Release Time: Select the applicable response from the dropdown box.

Travel Expenditures: Enter the amount that has been budgeted for travel expenses in accordance with the State System's travel policy.

Supplies Expenditures: Enter the amount that has been budgeted for supplies.

Other Expenditures (Amount): Enter the amount of any other expenditures.

Other Expenditures (Description): Enter a description of any other expenditures.

Capital Expenditures (Amount): Enter the amount of any capital expenditures.

Capital Expenditures (Description): Enter a description of any capital expenditures.

Total Expenditures: Enter the total amount of the expenditures.

#### **Section 6. Terms and Conditions.**

##### **Section 6.g, Intellectual Property.**

Indicate the applicable provision by clicking the corresponding checkmark box.

#### **Section 7. Signatures.**

Distribute the final LOU to the appropriate parties for signatures.