Maximo Asset Management 7.6

Contracts

A contract is an agreement between your organization and a vendor or service provider which lays out pricing and other obligations for each party. In Maximo, you set up contracts to help make sure that all your vendors' commitments are properly reflected on purchasing documents and work orders. Storing contracts in Maximo will save you time, effort, and money.

In Maximo, there are four main kinds of contracts: Purchase, Lease/Rental, Labor Rate, and Warranty. We'll discuss each one individually, and we'll show you how to set them up and use them.

Contracts reach their fingers into other Maximo applications to help you do your job better. For example, a warranty contract might cause a message to display when a work order is written for an asset that is under warranty. That reminder could save you money, or help you avoid unintentionally voiding a warranty. In another example, a purchase contract might automatically lower the price of a PR line item according to an agreed-upon arrangement. It could also create invoices according to a payment schedule that you negotiate with the vendor.

A fifth type, Master Contracts, simply works to group other contracts together for a single vendor. Through a Master Contract, you can create associated contracts (the other four types previously mentioned) so that they inherit certain default properties defined by the Master Contract, and so they can be viewed together.

Contracts are maintained under revision control, so that when a contract is revised, previous versions remain available for review or audit. Revision control for contracts works the same way it does for purchase orders and job plans, if you're familiar with those applications.

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General Structure of a Contract

Even though each type of contact is built and maintained in a different application, all contracts have similar properties and contain the following elements. That means that once you've become familiar with one contract type, the others should come quite easily.

- The header and properties provide high-level information, including the vendor, important dates, and other options that tell Maximo how to implement the contract.
- Contract Lines lay out specific things that are covered. The type of line depends on the contract type. For example, Warranty Contract lines specify assets, whereas Purchase Contract lines specify items or service codes.
- Terms and Conditions give more detail to specific conditions, requirements, and constraints.

Contract Statuses / Contract Life Cycle

The following statuses reflect the typical life cycle of a contract.

Draft – the contract is being written and changes are still expected.

Waiting for Approval – the contract is finished and requires management approval (this status is sometimes skipped).

Waiting to Start – the contract has been approved, but the start date has not yet come. It is not yet in effect.

Approved – the contract is active.

Suspended – the contract has been manually suspended for an indefinite amount of time, but it may be brought back into effect by reverting the status to Approved.

Closed – the contract has expired. It is no longer in effect.

Canceled – the contract has been manually canceled, presumably before the expiration date.

Pending Revision – the contract is currently under revision. Until it is approved, the previous version remains in effect.

Revised – a newer version of the contract has been approved. The revised (old) version still applies to documents that were created while it was in effect, and it is retained for audits or review.

Organizational Options (for administrators)

There are several options relating to contracts that you should be aware of. These can be set in the *Organizations* application.

If you're not an administrator, you might want to skim through this just to see what's available. If nothing else, we suggest you read through step 2 for a good, real-life example.

Here are the steps to change these organizational options.

1. From the *Go To* menu, navigate to *Administration* > *Organizations*. Open the organization.
2. From the *Actions* menu, select *Purchasing Options* > *Contract Options.* Make any required changes.

    - **Synonym Domain Contract Types:** Click the *New Row* button to create a synonym domain contract type. This will be a new contract type that behaves exactly like an existing type, but that has a different *Type* code (for an example of how and why you would do this, see the tip below).
    - **Default Terms and Conditions:** Click the *Associate Terms* button to specify default Terms and Conditions codes to be automatically added to new contracts of the selected type.

    > ***NOTE**: These terms will be copied to purchase contracts, where they can be edited by users for the specific contract. If you want to prevent users from editing them, uncheck the 'Can Edit' box for each line.*

    - **Default Properties:** Click the *Associate Properties* button to set default property values to be used for new contracts of the selected type.

    > ***NOTE**: Most of the properties you see here are options that users will see when creating new contracts. For example, the 'Extendible?' option that we'll explain a bit later. By making changes here, you will change the default values that they see. You can also prevent users from changing the default values by unchecking the 'Editable' box for the property.*

> ***TIP***: *It can be hard to understand the purpose of these options and why you would use them. Here is an example that might help clear things up.*
>
> *Let's say that you have a LTSA with Siemens to provide warranty work on many different assets. Because warranty periods will vary, you will be required to set up many different Warranty Contracts instead of a single one to cover all assets. You would like each of the contracts for Siemens to have default Terms and Conditions, and also to have certain default property values. But you do not want to change the default information for the Warranty contract type because you don't want your changes to affect new Warranty Contracts for other vendors – only Siemens.*
>
> *You could address this issue as follows.*
>
> *1. Create a new synonym domain contract type. In the 'Contract Type' field, you would specify "WARRANTY-SIEMENS", and in the 'Internal Contract Type' field, you would specify "WARRANTY" (same as the existing type). Now you have created a new type of contract which will follow the same business rules as a regular Warranty contract. The only difference is the type code.*
>
> *2. Make any changes that you'd like to the default property values and default T&Cs for the new WARRANTY-SIEMENS contract type.*
>
> *3. When a user creates a new contract for Siemens, instruct them to use the new contract type that you have just created. The new contract will inherit the property values and T&Cs that you specified. For non-Siemens contracts, they should continue to use the "WARRANTY" type.*

3. From the *Actions* menu, select *Purchasing Options* > *PO Options*. Make any required changes.

   Require Approval to Convert PR to PO or Contract?

   Close PR When All PR Lines Have Been Copied to POs or Contracts?

   Close RFQ When All RFQ Lines Have Been Copied to POs or Contracts?

   Create Approved PO from Contract on PR Approval?

4. From the *Actions* menu, select *Labor Options.* Make any required changes.

   Automatically Approve Invoices from Labor?

   Automatically Approve Outside Labor Transactions?

   Allow Mismatched Craft and Labor When Reporting Actual Labor?

5. From the *Actions* menu, select *Work Order Options* > *Other Organization Options*. Make any required changes.

   Display Warranty Status?

Applications in the *Contracts* Module

- **Purchase Contracts** – define agreements between the buyer (you) and a vendor of goods or services, usually involving preferred pricing. The most common type is a blanket purchase contract.
- **Lease/Rental Contracts** – track equipment rentals and define rental payment schedules and terms.
- **Labor Rate Contracts** – apply negotiated rates for crafts, skills, and labor.
- **Warranty Contracts** – define a commitment by a vendor to perform warranty maintenance on one or more assets, or to reimburse your organization for costs related to asset failure.
- **Master Contracts** – allow you to group multiple contracts for a single vendor under one “umbrella” contract.
- **Terms and Conditions** – contain detailed agreement clauses that can be applied to contracts of any type.

Purchase Contracts

A Purchase Contract exists between a buyer (you) and a seller (your vendor) to control the terms of your agreement. Here are a couple things that purchase contracts can do for you.

- If someone creates a purchase requisition or purchase order, Maximo will advise them that the item or standard service is available under contract for a specified price. They can then view/select the contract(s) and apply the negotiated price.
- Allow users to bypass the PR approval process for certain goods or services by creating a PO from a blanket contract.

Types of Purchase Contracts

There are three types of purchase contracts, and it can be difficult to understand the difference between them. We've done our best to break them down for you here.

Price Contract – an agreement to purchase items and services from a vendor at a negotiated price which might be based upon minimum order thresholds ("bulk pricing"). Unlike blanket contracts, purchases against price contracts follow the standard purchasing approval process.

Blanket – an agreement to purchase up to a specified monetary amount of goods or services from a vendor, possibly receiving a discount (similar to a price contract). Blanket contracts can be used to create release POs, which bypass the requisition process but are prevented once the maximum amount for the contract is reached. They are best used for approving a given amount of expenditures for a vendor over a specific time period, possibly with some preferred pricing.

Purchase – can be set up as either a price or blanket contract. What makes this type unique is that you can set up payment schedules, which will create a partial invoice upon PO approval and a second invoice upon receipt of the goods or services.

***NOTE**: Because each of the three contract types is created in the same application, we would usually present a single walk-through and just point out the minor nuances of each type. But we've decided that the differences are big enough that it would be very confusing to do that, so we're going to present separate instructions for each. Yes, that means some redundancy, but it should make things easier to understand.*

While we've got your attention, we'll point something else out. You might notice quite a bit of ambiguity between the different Purchase Contract types' capabilities. For example, we've just told you that price contracts are used to set up bulk pricing. But you might eventually notice that you can do the same thing with a blanket contract. So, what's the point? Think of it this way: instead of trying to force certain behavior, purchase contract types are intended to accomplish two things. First, they distinguish between individual records, the same way Work Types simply allow you to group Work Orders but don't actually change the functionality of an individual Work Order. Secondly, they set up specific options that make it more convenient to do certain tasks which are associated with that type, even if they don't always force you to use them as intended.

The last point we'll make here is that, yes, it's a bit confusing to have a type of purchase contract called a "purchase" purchase contract, using the same word for both the type and sub-type. If we had written the program, we would have called it a "General Purchase Contract".

Price Contracts

A Price Contract establishes negotiated prices for goods and services provided by a single vendor for a specified time period. It is intended to help the writer of a PR or PO to easily retrieve the correct pricing.

Creating a Price Contract

1. From the main menu, navigate to *Contracts* > *Purchase Contracts*. Click the *New Record* button.
2. Fill in all applicable fields in the *Contract* tab. Fields marked with an asterisk (*) are required or highly recommended.

    ***Contract, Description** – a unique code that identifies the contract, along with a brief description.

    ***Type** – “PRICE”

    Vendor Reference # – a contract identifier to be provided to the vendor.

    Buyer – the purchasing agent, or the employee responsible for administering the contract.

    ***Start Date**

    ***End Date**

    Renewal Date

    Currency

    ***Company** – the vendor with whom the contract is to be established.

    Contact – the vendor’s contact (set up under the vendor record) responsible for administering the contract.

    Customer # – a contract identifier that the vendor uses to refer to your organization.

    Freight Terms

    FOB Point

    Ship Via

    ***Payment Terms**

    Pay Tax to Vendor?

3. Move to the *Properties* tab and fill in all applicable fields, as follows. Fields that are read-only or not applicable to this contract type are skipped.

   Can Exceed Amount? – indicates that you are allowed to order more than the maximum amount.

   Extendable?, Conditions for Extension, and Extension Period (days) – the *Extendable* checkbox indicates that the contract can be extended beyond the initial expiration. If checked, the other two fields define what limitations apply.

   > ***NOTE**: these fields are for reference only. They do not actually control your ability to extend the contract.*

   Acceptance Period – the number of days for which you are permitted to return the item.

   Acceptance Loss?, Shipping Loss? – indicates that you, not the vendor, are responsible for costs related to non-conformance (acceptance) or damage during shipment (shipping).

   Vendor Termination Allowed?, Vendor Notification Period – indicates that the vendor can terminate the contract, and the number of days' notice they must provide.

   Customer Termination Allowed?, Customer Notification Period – indicates that you can terminate the contract, and the number of days' notice you must provide.

4. Move to the *Contract Lines* tab. For each line, click the *New Row* button and fill in all applicable fields, as follows.

   ***Line Type** – "Item", "Material", "Service", "Standard Service", or "Tool"

   ***Item #/Description** – the item number or description (depending on the line type)

   Commodity Group, Commodity Code, and Condition Code

   Manufacture, Model, and Catalog #

   Quantity – specify a value only if there is a minimum purchase requirement

   ***Order Unit**

   ***Unit Cost/Line Cost**

   Change Quantity on Use? – indicates that the quantity can be changed on the PR/PO.

   > ***NOTE**: Although you can allow quantity changes, the option to allow price changes is disabled. The whole purpose of a pricing contract is to negotiate prices, so it wouldn't make sense to allow changes from the contract prices. If you really wanted to, you could make this setting editable by changing the organization options (see 'Organizational Options' section).*

5. (Optional) Move to the *Terms and Conditions* tab. For each terms code, click the *New Row* button and fill in all applicable fields, as follows.

   ***Term** – the pre-defined terms code.

   Send to Vendor? – indicates that the terms code should be included on the printed PO.

6. Authorize the contract for one or more sites.
    1. From the *Actions* menu, select *Authorize Sites*.
    2. Click the *Select Sites* button.
    3. Select all the sites that you want to authorize for the contract, then click the *OK* button.
    4. Click the *OK* button again.
7. Change the status to *Waiting for Approval*, then to *Approved*.

Using a Price Contract

A Price Contract is used when you create a new purchase order for the vendor and reference the contract in the *Contract Reference* field. On the *PO Lines* tab, you can click the *Contract Items* button and select the items or services from the dialog. Also, if you create a PR or PO and an active contact exists which you have not referenced, Maximo will prompt you to go to the line item in question and click the *View Contracts* button to select a contract.

***NOTE**: If the same item is listed more than once, for example the contract has a bulk purchase option, then you will be able to select which quantity you wish to purchase.*

While writing the PR or PO, keep in mind the following.

- After the PR or PO is created, first specify the contract in the *Contract Reference* field. This will automatically populate the vendor and other fields.
- On the *PR Lines* or *PO Lines* tab, use the *Contract Items* button to select the items. This is quicker and more accurate than using the *New Row* button and manually searching for the item.

Blanket Contracts

A Blanket Contract establishes negotiated prices for goods and services provided by a single vendor for a specified time period. It is intended to help the writer of a PR or PO to easily retrieve the correct pricing. The main difference is that a Blanket Contract is capable of producing release POs, which may bypass the PR approval process. A price contract cannot do this – it can only be applied to regular PRs or POs that are already in process.

Creating a Blanket Contract

1. From the main menu, navigate to *Contracts* > *Purchase Contracts*. Click the *New Record* button.
2. Fill in all applicable fields in the *Contract* tab. Fields marked with an asterisk (*) are required or highly recommended.

   ***Contract, Description** – a unique code that identifies the contract, along with a brief description.

   ***Type** – “BLANKET”

   Vendor Reference # – a contract identifier to be provided to the vendor.

   Buyer – the purchasing agent, or the employee responsible for administering the contract.

   ***Start Date**

   ***End Date**

   Renewal Date

   Currency

   ***Company** – the vendor with whom the contract is to be established.

   Contact – the vendor’s contact (set up under the vendor record) responsible for administering the contract.

   Customer # – a contract identifier that the vendor uses to refer to your organization.

   Freight Terms

   FOB Point

   Ship Via

   ***Payment Terms**

   Pay Tax to Vendor?

3. Move to the *Properties* tab and fill in all applicable fields, as follows. Fields that are read-only or not applicable to this contract type are skipped.

   Can Exceed Amount? – indicates that you are allowed to order more than the maximum amount.

   > ***TIP****: For Blanket Contracts, it makes sense to check this box. Likely, the whole reason you are writing this contract is to allow users to bypass PR approval, but only until they reach the budgeted amount.*

   Extendable?, Conditions for Extension, and Extension Period (days) – the *Extendable* checkbox indicates that the contract can be extended beyond the initial expiration. If checked, the other two fields define what limitations apply.

   > ***NOTE****: These fields are for reference only. They do not actually control your ability to extend the contract.*

   Acceptance Period – the number of days that you are permitted to return the item.

   Acceptance Loss?, Shipping Loss? – indicates that you, not the vendor, are responsible for costs related to non-conformance (acceptance) or damage during shipment (shipping).

   Vendor Termination Allowed?, Vendor Notification Period – indicates that the vendor can terminate the contract, and the number of days' notice they must provide.

   Customer Termination Allowed?, Customer Notification Period – indicates that you can terminate the contract, and the number of days' notice you must provide.

4. Move to the *Contract Lines* tab. For each line, click the *New Row* button and fill in all applicable fields, as follows.

   ***Line Type** – "Item", "Material", "Service", "Standard Service", or "Tool"

   ***Item #/Description** – the item number or description (depending on the line type)

   Commodity Group, Commodity Code, and Condition Code

   Manufacture, Model, and Catalog #

   Quantity – specify a value only if there is a minimum purchase requirement

   ***Order Unit**

   ***Unit Cost/Line Cost**

   Change Quantity on Use? – indicates that the quantity can be changed on the PR/PO.

   Change Price on Use? – indicates that the price can be changed on the PR/PO.

5. (Optional) Move to the *Terms and Conditions* tab. For each terms code, click the *New Row* button and fill in all applicable fields, as follows.

   ***Term** – the pre-defined terms code.

   Send to Vendor? – indicates that the terms code should be included on the printed PO.

6. Authorize the contract for one or more sites.
    1. From the *Actions* menu, select *Authorize Sites*.
    2. Click the *Select Sites* button.
    3. Select all the sites that you want to authorize for the contract, then click the *OK* button.
    4. Click the *OK* button again.
7. Change the status to *Waiting for Approval*, then to *Approved*.

Using a Blanket Contract

A Blanket Contract is used to create release POs from within the Purchase Contracts application, as follows.

1. Navigate to the *Purchase Contracts* application. Open the Blanket Contract.
2. From the *Actions* menu, select *Create Release PO*.
3. In the dialog, fill in all applicable fields, as follows.

    PO, Description – a unique PO number and a brief description.

    > ***TIP***: *For the PO number, you might want to consider using the contract number plus a sequential number. For example, ALSTM-01, ALSTM-02, ALSTM-03, etc. This way it will be easy to quickly see that a PO is related to a blanket contract.*

4. Select the contract lines that you want to include on the release PO.
5. (optional) Specify any default "Charge To" values to be applied to all lines (*Work Order, Location, GL Debit Account*, etc.).
6. Click the *OK* button to create the PO.

> ***WARNING***: *Maximo will allow you to create a PO that exceeds the maximum amount, even if the 'Can Exceed Amount?' box is unchecked. However, it will prevent the PO from being approved.*

Purchase Contracts

A Purchase Contract establishes negotiated prices for goods and services provided by a single vendor for a specified time period, similar to the previous two contract types. It can be configured to allow release POs, and it can be used to set payment schedules.

Recall that a payment schedule specifies what percentage (or fixed amount) should be paid at the time of PO approval, leaving the balance to be paid normally, that is, after receiving the goods or services.

Creating a Purchase Contract

1. From the main menu, navigate to *Contracts* > *Purchase Contracts*. Click the *New Record* button.
2. Fill in all applicable fields in the *Contract* tab. Fields marked with an asterisk (*) are required or highly recommended.

***Contract, Description** – a unique code that identifies the contract, along with a brief description.

***Type** – "PURCHASE"

Vendor Reference # – a contract identifier to be provided to the vendor.

Buyer – the purchasing agent, or the employee responsible for administering the contract.

***Start Date**

***End Date**

Renewal Date

Currency

***Company** – the vendor with whom the contract is to be established.

Contact – the vendor's contact (set up under the vendor record) responsible for administering the contract.

Customer # – a contract identifier that the vendor uses to refer to your organization.

Freight Terms

FOB Point

Ship Via

***Payment Terms**

Pay Tax to Vendor?

3. Move to the *Properties* tab and fill in all applicable fields, as follows. Fields that are read-only or not applicable to this contract type are skipped.

   Create Release? – indicates that you are allowed to create release POs.

   Payment Schedule? – indicates that you intend to set up a payment schedule.

   Can Exceed Amount? – indicates that you are allowed to order more than the maximum amount.

   Extendable?, Conditions for Extension, and Extension Period (days) – the *Extendable* checkbox indicates that the contract can be extended beyond the initial expiration. If checked, the other two fields define what limitations apply.

   NOTE*: these fields are for reference only. They do not actually control your ability to extend the contract.*

   Acceptance Period – the number of days that you are permitted to return the item.

   Acceptance Loss?, Shipping Loss? – indicates that you, not the vendor, are responsible for costs related to non-conformance (acceptance) or damage during shipment (shipping).

   Vendor Termination Allowed?, Vendor Notification Period – indicates that the vendor can terminate the contract, and the number of days' notice they must provide.

   Customer Termination Allowed?, Customer Notification Period – indicates that you can terminate the contract, and the number of days' notice you must provide.

4. Move to the *Contract Lines* tab. For each line, click the *New Row* button and fill in all applicable fields, as follows.

   ***Line Type** – "Item", "Material", "Service", "Standard Service", or "Tool"

   ***Item #/Description** – the item number or description (depending on the line type)

   Commodity Group, Commodity Code, and Condition Code

   Manufacture, Model, and Catalog #

   Quantity – specify a value only if there is a minimum purchase requirement

   ***Order Unit**

   ***Unit Cost/Line Cost**

   Change Quantity on Use? – indicates that the quantity can be changed on the PR/PO.

5. (Optional) Create a payment schedule for each line.
    1. For each line, click the *Payment Schedule* button.
    2. Click the *New Row* button.
    3. Fill in all applicable fields.

        Action – "POAPPR"

        Days Interval – the number of days following PO approval that the invoice is due.

        Line Cost/Payment Percentage – either a fixed cost or percentage that must be paid upon PO receipt. If you populate either of these fields, the other will be automatically calculated.

    4. Repeat step 3, but selecting "RECEIPT" as the action and providing details about the portion of the invoice that will be due upon receipt.
    5. Click the *OK* button.

    > ***NOTE****: To complete the payment schedule, you must have two lines (PO Approval and Receipt). You may split the percentage any way you want (20/80, 50/50, etc.), but the total must be 100 percent.*

6. (Optional) Move to the *Terms and Conditions* tab. For each terms code, click the *New Row* button and fill in all applicable fields, as follows.

    ***Term** – the pre-defined terms code.

    Send to Vendor? – indicates that the terms code should be included on the printed PO.

7. Authorize the contract for one or more sites.
    1. From the *Actions* menu, select *Authorize Sites*.
    2. Click the *Select Sites* button.
    3. Select all the sites that you want to authorize for the contract, then click the *OK* button.
    4. Click the *OK* button again.
8. Change the status to *Waiting for Approval*, then to *Approved*.

Using a Purchase Contract

Depending on the options you configured, you can implement a purchasing contract either as a Price Contract (by manually applying it to a PR/PO) or as a Blanket Contract (by creating release POs).

Additional Actions for Purchase Contracts

Applying Discounts to Multiple Items

For any type of contract, you may want to apply a negotiated discount to one or more contract lines.

1. Navigate to the *Purchase Contracts* application. Open the contract.
2. From the *Actions* menu, select *Apply Price Adjustment*. Make sure to use a negative number to indicate a discount.
3. Select one or more contract lines.
4. Click the *Apply* button.
5. Verify the changes and click the *OK* button.

Add Lines from and Existing PR or PO

While creating a purchase contract, you may need to add lines from an existing PR or PO.

1. Navigate to the *Purchase Contracts* application. Open the contract.
2. From the *Actions* menu, select *Copy PR Lines to Contract* or *Copy PO Lines to Contract*.
3. Select line items to add and click the *OK* button.

Lease/Rental Contracts

Lease/Rental Contracts can be used to rent or lease assets from a vendor. By setting up a contract, you can establish controls and automatically generate invoices according to a payment schedule that you define.

At a high level, the following events occur in sequence as part of the Lease/Rental Contract life cycle. Some of these steps are not covered as part of this document, or they are covered only briefly as they relate to the contract implementation. Most notably, you'll need to know how to create a rotating item and understand the relationship between rotating items and assets.

1. Rotating Item is created.
2. Contract is created and approved.
3. Rotating item is ordered via the regular purchasing process, with a reference to the contract on the PO.
4. Rotating item is received, and a new asset number is assigned.
5. Payment Schedules are created for each asset.
6. The lease is ended by either buying or returning the asset.

Creating a Lease/Rental Contract

1. From the main menu, navigate to *Contracts* > *Lease/Rental Contracts*. Click the *New Record* button.
2. Fill in all applicable fields in the *Contract* tab. Fields marked with an asterisk (*) are required or highly recommended.

   ***Contract, Description** – a unique code that identifies the contract, along with a brief description.

   ***Type** – "Rental" or "Lease". Generally lease contracts are for a longer period of time than rental contracts.

   Vendor Reference # – a contract identifier to be provided to the vendor.

   Buyer – the purchasing agent, or the employee responsible for administering the contract.

   ***Start Date**

   ***End Date**

   Renewal Date

   Currency

   ***Company** – the vendor with whom the contract is to be established.

   Contact – the vendor's contact (set up under the vendor record) responsible for administering the contract.

   Customer # – a contract identifier that the vendor uses to refer to your organization.

Freight Terms

FOB Point

Ship Via

***Payment Terms**

Pay Tax to Vendor?

Lease Suspense Account

Finance Type

Term in Months – the length of the contract

Number of Payments – the number of times a payment will be made during the life of the contract

Payment Period – the schedule for making payments. Use the lookup dialog to build the schedule.

Currency

3. Move to the *Properties* tab and fill in all applicable fields, as follows. Fields that are read-only or not applicable to this contract type are skipped.

Warranty Extended to Lessee?, Warranty Duration, and Time Unit – the *Warranty Extended to Lessee?* checkbox indicates that the equipment is under warranty. If checked, other two fields define the warranty period.

Notify on Move?, Notify on Configure?, and Notify on Casualty? – indicate that the lesser should be notified if various events occur: movement to a different tax district, reconfiguration of the asset, or destruction of the asset.

Extendable?, Conditions for Extension, and Extension Period (days) – the *Extendable* checkbox indicates that the contract can be extended beyond the initial expiration. If checked, the other two fields define what limitations apply.

> ***NOTE**: these fields are for reference only. They do not actually control your ability to extend the contract.*

Last Scheduled Date – the last date that a new payment schedule should be created.

Acceptance Period – the number of days that you are permitted to return the item.

Acceptance Loss?, Shipping Loss? – indicates that you, not the vendor, are responsible for costs related to non-conformance (acceptance) or damage during shipment (shipping).

Vendor Termination Allowed?, Vendor Notification Period – indicates that the vendor can terminate the contract, and the number of days' notice they must provide.

Customer Termination Allowed?, Customer Notification Period – indicates that you can terminate the contract, and the number of days' notice you must provide.

[Various Contract Options] – indicate the presence of different conditions that may or may not apply to the contract.

4. Move to the *Contract Lines* tab. For each line, click the *New Row* button and fill in all applicable fields, as follows.

   ***Item #** – the item number for the rotating item.

   Commodity Group, Commodity Code, and Condition Code

   ***Order Unit**

   Manufacture, Model, and Catalog #

   Inspection Required – indicates that a manual inspection must be performed as part of the receiving process. The user performing the receipt will have to acknowledge this inspection.

   ***Unit Cost/Line Cost**

   Change Quantity on Use? – indicates that the quantity can be changed on the PR/PO.

   > ***NOTE**: Although you can allow quantity changes, the option to allow price changes is disabled. The whole purpose of a pricing contract is to negotiate prices, so it wouldn't make sense to allow changes later. If you really wanted to, you could make this setting editable by changing the organization options (see 'Organizational Options' section).*

5. (Optional) Create a payment schedule for each line.
   1. For each line, click the *Payment Schedule* button. Click the *New Row* button.
   2. Fill in all applicable fields.

      Action – "POAPPR"

      Days Interval – the number of days following PO approval that the invoice is due.

      Line Cost/Payment Percentage – either a fixed cost or percentage that must be paid upon PO receipt. Populate either of these fields, and the other will be automatically calculated.
   3. Repeat step 3, but selecting "RECEIPT" as the action and providing details about the portion of the invoice that will be due upon receipt.
   4. Click the *OK* button.

   > ***NOTE**: To complete the payment schedule, you must have two lines (PO Approval and Receipt). You may split the percentage any way you want (20/80, 50/50, etc.), but the total must be 100 percent.*

6. (Optional) Move to the *Terms and Conditions* tab. For each terms code, click the *New Row* button and fill in all applicable fields, as follows.

   ***Term** – the pre-defined terms code.

   Send to Vendor? – indicates that the terms code should be included on the printed PO.

7. Authorize the contract for one or more sites.
    1. From the *Actions* menu, select *Authorize Sites*.
    2. Click the *Select Sites* button.
    3. Select all the sites that you want to authorize for the contract, then click the *OK* button.
    4. Click the *OK* button again.
8. Change the status to *Waiting for Approval*, then to *Approved*.

Ordering Assets for the Contract

Now that the contract has been created, you can order the assets through a regular PO. When writing and receiving the PO, keep in mind the following.

- After the PR or PO is created, first specify the contract in the *Contract Reference* field. This will automatically populate the vendor and other fields.
- On the *PR Lines* or *PO Lines* tab, use the *Contract Items* button to select the items. This is quicker and more accurate than using the *New Row* button and manually searching for the item.
- Don't forget to specify the storeroom for each line item.
- When receiving the item, don't forget to assign the asset number(s) using the *Receive Rotating Assets* action.

Establishing a Payment Schedule

Once the items have been received and the assets created, they can be viewed from the contract in the *Associated Assets* tab. From here, you can set payment schedules and generate invoices.

1. From the *Actions* menu, select *Manage Payments*.
2. In the *Schedule* section, click the *New Row* button.
3. Fill in the *Start Date* field with the start date of the contract payment schedule.
4. Minimize the schedule record by clicking the blue triangle to the left of the new row.
5. Click the *Select Assets* button.
6. Select the corresponding asset(s), then click the *OK* button.
7. Click the *Generate Payments* button to create all required invoices.

***NOTE**: You can create more than one schedule for a single contract, with different schedules applying to different assets.*

Applying Discounts to Multiple Items

You may want to apply a negotiated discount to one or more contract lines.

1. Navigate to the *Lease/Rental Contracts* application. Open the contract.
2. From the *Actions* menu, select *Apply Price Adjustment*.
3. Specify a value in the *Adjustment Percentage* field. Assuming you want to apply a discount, make sure to use a negative number.
4. Select one or more contract lines.
5. Click the *Apply* button.
6. Verify the changes and click the *OK* button.

Ending a Lease

When the rental or lease period is over, you may end the lease by either purchasing the asset (if allowed by the contract) or returning it to the vendor.

1. Navigate to the *Lease/Rental Contracts* application. Open the contract
2. From the *Actions* menu, select *End Lease*. Then select either *Purchase Asset* or *Return Asset*.
3. Fill in all applicable fields in the dialog, then click the *OK* button.

Labor Rate Contracts

Labor rate contracts are used to establish and apply negotiated labor rates to work orders. They can be implemented from either the perspective of a service provider, where you would be providing services for another client, or from the perspective of the buyer, where you are contracting an outside company to provide services for your organization. For this document, we will discuss only the second implementation, assuming your organization is contracting labor rather than providing it.

Labor rate contracts are built on existing crafts and skills, set up in the *Crafts* application. We're assuming that you've already set these up, so we're not covering that topic here. Properly configured, you can use a Labor Rate Contract to override the rates already set up for the crafts.

Creating a Labor Rate Contract

1. From the main menu, navigate to *Contracts* > *Labor Rate Contracts*. Click the *New Record* button.
2. Fill in all applicable fields in the *Contract* tab. Fields marked with an asterisk (*) are required or highly recommended.

*__Contract, Description__ – a unique code that identifies the contract, along with a brief description.

Vendor Reference # – a contract identifier to be provided to the vendor.

Buyer – the purchasing agent, or the employee responsible for administering the contract.

***Start Date**

***End Date**

Renewal Date

Total Cost – the anticipating total cost for the contract.

> ***NOTE**: If you provide a value for this field, Maximo will notify you when you charge labor that exceeds the maximum.*

Currency

***Company** – the vendor with whom the contract is to be established.

Contact – the vendor's contact (set up under the vendor record) responsible for administering the contract.

Customer # – a contract identifier that the vendor uses to refer to your organization.

***Payment Terms**

Pay Tax to Vendor?

3. Move to the *Properties* tab and fill in all applicable fields, as follows. Fields that are read-only or not applicable to this contract type are skipped.

   Extendable?, Conditions for Extension, and Extension Period (days) – the *Extendable* checkbox indicates that the contract can be extended beyond the initial expiration. If checked, the other two fields define what limitations apply.

   ***NOTE**: these fields are for reference only. They do not actually control your ability to extend the contract.*

   Vendor Termination Allowed?, Vendor Notification Period – indicates that the vendor can terminate the contract, and the number of days' notice they must provide.

   Customer Termination Allowed?, Customer Notification Period – indicates that you can terminate the contract, and the number of days' notice you must provide.

4. Move to the *Rate Schedule* tab. For each line, click the *New Row* button and fill in all applicable fields, as follows.

   ***Craft, Skill Level** – a craft and skill already defined in the system.

   ***Standard Rate** – the rate for the Craft/Skill combination as it relates to the contract.

5. (Optional) Move to the *Terms and Conditions* tab. For each terms code, click the *New Row* button and fill in all applicable fields, as follows.

   ***Term** – the pre-defined terms code.

   Send to Vendor? – indicates that the terms code should be included on the printed PO.

6. Change the status to *Waiting for Approval*, then to *Approved*.

7. (Optional) Move to the *Associated Labor* tab. For each line, click the *New Row* button and fill in all applicable fields, as follows.

   ***Labor** – a labor code already defined in the system.

   ***Craft, Skill Level** – a craft/skill combination from those that were defined on the contract (step 7).

   Inherit Rate from Contract? – indicates that rate from the contract will be used on work orders instead of the rate established in the *Crafts* application.

***TIP**: If you do not want to create individual Labor records for all contracted employees, you may want to consider creating "craft-based" labor records that represent a craft instead of an individual. For example, "Crain Operator" instead of "John Smith".*

Using a Labor Rate Contract

Labor Rate Contracts are implemented as part of the normal process for work order management. When you plan labor, simply provide a contract reference for each line in the *Labor Contract* field. By doing this, the contracted rates will be used instead of the standard rates for the crafts/skill levels selected (assuming the contract was configured with the *Inherit Rate from Contract* box checked for the corresponding line).

Invoices can be created for approved labor entries through the *Labor Reporting* application.

Applying Discounts to Multiple Items

You may want to apply a negotiated discount to one or more contract lines.

1. Navigate to the *Labor Rate Contracts* application. Open the contract.
2. From the *Actions* menu, select *Apply Price Adjustment*.
3. Specify a value in the *Adjustment Percentage* field. Assuming you want to apply a discount, make sure to use a negative number (positive numbers will *increase* the cost instead).
4. Select one or more contract lines.
5. Click the *Apply* button.
6. Verify the changes and click the *OK* button.

Warranty Contracts

Warranty Contracts can be set up to advise you when work is about to be performed on an asset that is under warranty. This warning might prompt you to (a) contact the warranty provider rather than do the repair yourself, (b) file a claim for reimbursement of maintenance costs that you incur, or (c) take extra precautions to make sure you don't do anything to void an existing warranty.

If you would like to maintain warranties without the built-in notification, you may contact your system administrator to change the system configuration.

Creating a Warranty Contract

1. From the main menu, navigate to *Contracts* > *Warranty Contracts*. Click the *New Record* button.
2. Fill in all applicable fields in the *Contract* tab. Fields marked with an asterisk (*) are required or highly recommended.

   ***Contract, Description** – a unique code that identifies the contract, along with a brief description.

   Type – the value you select does not have any bearing on the functionality: "SERVICE" or "WARRANTY"

   Vendor Reference # – a contract identifier to be provided to the vendor.

   Buyer – the purchasing agent, or the employee responsible for administering the contract.

   ***Start Date**

   ***End Date**

   Renewal Date

   Currency

   ***Company** – the vendor with whom the contract is to be established.

   Contact – the vendor's contact (set up under the vendor record) responsible for administering the contract.

   Customer # – a contract identifier that the vendor uses to refer to your organization.

   ***Freight Terms, Payment Terms**

3. Move to the *Properties* tab and fill in all applicable fields, as follows. Fields that are read-only or not applicable to this contract type are skipped.

   Extendable?, Conditions for Extension, and Extension Period (days) – the *Extendable* checkbox indicates that the contract can be extended beyond the initial expiration. If checked, the other two fields define what limitations apply.

   ***NOTE**: these fields are for reference only. They do not actually control your ability to extend the contract.*

   Vendor Termination Allowed?, Vendor Notification Period – indicates that the vendor can terminate the contract, and the number of days' notice they must provide.

   Customer Termination Allowed?, Customer Notification Period – indicates that you can terminate the contract, and the number of days' notice you must provide.

   Process Claim? – indicates that a claim may be processed against the contract.

4. Move to the *Contract Lines* tab. For each line, click the *New Row* button and fill in all applicable fields, as follows.

   ***Line Type** – "Service" or "Standard Service"

   ***Item #/Description** – the item number or description (depending on the line type)

   ***Duration, Time Unit** – the length of time that the contract line is valid.

   Coverage Percent or Coverage Amount for Labor, Materials, and Tools – either a percentage or a fixed maximum amount for each category of costs. For example, if the contract were to stipulate that you must pay for 20% of the labor costs for warranty repairs, then you would populate the *Labor (Coverage Percent)* field with "80.00".

5. (Optional) Move to the *Terms and Conditions* tab. For each terms code, click the *New Row* button and fill in all applicable fields, as follows.

   ***Term** – the pre-defined terms code.

   Send to Vendor? – indicates that the terms code should be included on the printed PO.

6. Authorize the contract for one or more sites.
   1. From the *Actions* menu, select *Authorize Sites*.
   2. Click the *Select Sites* button.
   3. Select all the sites that you want to authorize for the contract, then click the *OK* button.
   4. Click the *OK* button again.
7. Change the status to *Waiting for Approval*, then to *Approved*.
8. Move to the *Associated Assets* tab. For each asset, click the *New Row* button specify an asset. You can also select multiple assets by using the *Select More Assets*, or *Select Locations* buttons.

Using a Warranty Contract

Once a Warranty Contract is set up and activated, there is nothing more required to implement it. You simply proceed with maintenance practices as usual, taking advantage of the notifications that appear when a warranty overlaps with work you are performing.

Master Contracts

A Master Contract does not actually contain any specific contract terms – it is simply a way to group multiple contracts together for a single vendor. From a master contract, you can create associated contracts of any other type previously discussed in this document. When you create associated contracts, they inherit properties and T&Cs from the Master Contract. There are two main purposes for Master Contracts.

1. Create a template for associated contracts, eliminating repetitive data entry for similar contracts.
2. Provide a single place where you can view all contracts for a single vendor.

***WARNING**: If you intend to use Master Contracts, make your decision quickly as the only way to associate other contracts with a Master Contract is through the Master Contract itself. You cannot first create a bunch of contracts and then later decide to group them together under a single Master Contract.*

Creating a Master Contract

1. From the main menu, navigate to *Contracts* > *Master Contracts*. Click the *New Record* button.
2. Fill in all applicable fields in the *Contract* tab. Fields marked with an asterisk (*) are required or highly recommended. Remember that any values in steps 3 and 4 will be copied to all associated contracts that you will create later.

   ***Contract, Description** – a unique code that identifies the contract, along with a brief description.

   Vendor Reference # – a contract identifier to be provided to the vendor.

   Buyer – the purchasing agent, or the employee responsible for administering the contract.

   ***Start Date**

   ***End Date**

   Renewal Date

   Total Cost – the estimated total value of all contracts.

   ***NOTE**: The 'Total Cost' field is not automatically calculated or updated – if you want a value here, you must specify it manually. Also, this value will not be copied to the corresponding field in associated contracts.*

   Currency

   ***Company** – the vendor with whom the contract is to be established.

   Contact – the vendor's contact (set up under the vendor record) responsible for administering the contract.

   Customer # – a contract identifier that the vendor uses to refer to your organization.

   ***Freight Terms, FOB Point, Ship Via, and Payment Terms**

   Pay Tax to Vendor?

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3. Move to the *Properties* tab and fill in all applicable fields, as follows. Fields that are read-only or not applicable to this contract type are skipped.

    Extendable?, Conditions for Extension, and Extension Period (days) – the *Extendable* checkbox indicates that the contract can be extended beyond the initial expiration. If checked, the other two fields define what limitations apply.

    Vendor Termination Allowed?, Vendor Notification Period – indicates that the vendor can terminate the contract, and the number of days' notice they must provide.

    Customer Termination Allowed?, Customer Notification Period – indicates that you can terminate the contract, and the number of days' notice you must provide.

4. (Optional) Move to the *Terms and Conditions* tab. For each terms code, click the *New Row* button and fill in all applicable fields, as follows.

    ***Term** – the pre-defined terms code.

    Send to Vendor? – indicates that the terms code should be included on the printed PO.

> ***NOTE**: Unlike the contract properties, terms and conditions will not be copied to associated contracts.*

5. Authorize the contract for one or more sites.
    1. From the *Actions* menu, select *Authorize Sites*.
    2. Click the *Select Sites* button.
    3. Select all the sites that you want to authorize for the contract, then click the *OK* button.
    4. Click the *OK* button again.
6. Change the status to *Waiting for Approval*, then to *Approved*.

Creating Associated Contracts

Once a Master Contract is approved, you can create associated contracts, as follows.

1. Navigate to the *Labor Rate Contracts* application. Open the contract.
2. From the *Actions* menu, select *Create Associated Contract*.
3. Provide a contract number, description, and type, then click the *OK* button.
4. To make changes to the newly-created contract (or any other associated contract), go to the *Associated Contracts* tab. Select the *Go To* option from the contract number lookup to open the contract in the corresponding application. Make the changes, and then return to the master contract by clicking the *Return* button.

> ***NOTE**: At minimum, you will need to change the status of the new contract, since the status will be DRAFT after it is created.*

A Few More Thoughts

Revision Control

As we mentioned at the beginning, all contract types provide revision history. Once a contract is approved, most of the properties and other fields cannot be changed. If you need to make changes, you'll have to create a new revision. There are a few important things to keep in mind about contract revisions.

- There are two purposes for contract revision control. (1) Ensure that changes do not retroactively affect documents which were created under previous versions of an agreement. (2) Provide the ability to review and audit all approved versions of the contract.
- All revisions retain the same contract number, but each will have a different revision number (starting with '0' for the original version).
- Contract revisions must go through the same approval process as a new contract, unless your system administrator has specifically configured it otherwise.
- Until the contract revision is approved, the current version will remain in effect. All records associated with the current version will remain associated with that version of the contract, even after the new version is approved.
- Whereas a brand-new contract has a status of DRAFT until it is approved, a contract revision has a status of PNDREV. When it is approved, the status will become APPR, and the status of the previous version will become REVISD. Revised contracts (REVISD) it will no longer be used for new transactions.

You can create a new contract revision as follows

1. Navigate to the *Labor Rate Contracts* application. Open the contract.
2. From the *Actions* menu, select *Revise Contract*.
3. Make any required changes.
4. Change the status to *Waiting for Approval*, then to *Approved*.

Controlling Contract Renewals

You may have noticed references to the *Renewal Date* field for all contract type, but we haven't really discussed it much. If you simply specify a date in this field, nothing actually happens in terms of renewing it.

Maximo has a tool called "escalations" (we're not going to get into the details here, but your system administrator will know how to set them up) which can be used to cause things to happen based on date values. In this example, your system administrator could set up an escalation to remind you (via email, work order, etc.) that it is time to renew a contract.