

Case Study:
How One PEO Revises Client Service Agreement

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Synadyne has a standard client service agreement applicable to all clients, which is maintained by our legal department. There are also standard forms for use in states that require specific language that is different from the standard client service agreement.

Contract Reviews and Changes

Our company does not permit changes to the contract without the prior approval of either a senior manager or the legal department. We have a procedure in place whereby a sales person must first contact his or her manager about a client's requested change. The manager then evaluates whether such a change has been permitted in the past and approved by the legal department. If so, the manager has discretion to authorize the change requested. If not, the legal department must approve the requested change. This procedure is extremely important in light of the pressures often placed on a sales force to make sales, and their eagerness to accommodate a client.

The PEO must balance the need for contract changes and adjustments against the sometimes fragile relationships with customers. It is disruptive to introduce new client service agreements to customers on an on-going basis. We strive to accommodate our customers as much as possible in making the relationship with us seamless. Nonetheless, we must also be firm in requiring changes where necessitated by law or best practices. We include in our standard client service agreement a clause that allows us to amend the contract if necessitated by a change in the law. The amendment can be made by addendum – a very effective tool because it minimizes the disruption to the client and allows the PEO to protect its interests and the client's. Of course, the client always has the option to terminate the contract if the change is unacceptable.

The Review Process

Particularly in the PEO business, it is also important to review standard client service agreements periodically. Since the PEO industry is still evolving, it is subject to changing legislation and regulation at the federal and state levels. Therefore, we must be vigilant in complying with the many laws that affect our industry. In addition, because we are a young industry, experience also can prompt changes to a client service agreement. The PEO and the industry should not hesitate to make changes to standard client service agreements based on such experience.

We also conduct semi-annual comprehensive reviews of the standard agreement. The review begins in the legal department and includes any new regulatory or legislative provisions either mandated by law or now deemed necessary based on changes in the law, or based on company experience. The collection of data and research required to conduct a thorough review is ongoing and assigned to specific individuals. Following input of the changes by the legal department, the PEO managers review the edited contract and provide their comments.

The legal department and the PEO president or operations manager then decide whether to require all clients to execute the new agreement, or apply it only to new customers and renewals.

There is a significant amount of flexibility allowed with respect to existing contracts. If a decision is made the new contract will apply only to new clients and renewals, the legal department will prepare an addendum, if necessary, to cover any changes mandated by law that cannot wait until the next anniversary date.

Security Issues

PEOs should control access to client service agreements and establish an updating process that ensures only the most recent versions are being used. The current contract should be dated by identification, indicating the date of the addition. All outdated versions of the form contract should be deleted from the system entirely, and all obsolete hard copies destroyed. Our company limits access to the electronic copy of the form contract to the legal department. As a result, a salesperson cannot edit the form of agreement without marking up the contract.

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