

Chapter 07 -- Fiscal Management

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[see last page of chapter (prior to Appendix A) for list of amendments adopted]

07.00 Definitions.

07.00.1 "FDIC" means the Federal Deposit Insurance Corporation.

07.00.2 "HEF" means Higher Education Funds.

07.00.3 "HUBs" means Historically Underutilized Businesses.

07.00.4 "OAS" means the Office of Audit Services.

07.00.5 "RFS" means the Revenue Financing System.

07.00.6 "CAE" means the Chief Audit Executive.

07.01 **Fiduciary responsibility.** The board and the principal officers of the TTU system have the responsibilities of a fiduciary in the administration of all funds subject to the control and management of the TTU system.

07.02 Audits.

07.02.1 Mission and purpose statement. The mission and purpose of the Office of Audit Services ("OAS") is to strengthen Texas Tech University System's ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight. The work of the OAS enhances TTU system's:

- a. successful achievement of institutional objectives;
- b. governance, risk management, and control processes;
- c. decision-making and oversight;
- d. reputation and credibility with stakeholders; and

e. ability to serve the public interest.

07.02.2 Mandate and standards of audit practice. The mandate for the OAS is the Texas Internal Auditing Act (“the Act”). The Act requires conformance with generally accepted government auditing standards and the Institute of Internal Auditors (IIA’s) Global Internal Audit Standards™ and Topical Requirements.

07.02.3 Organizational position and reporting relationships.

a. The OAS is established by the board in accordance with the Act. The board, through the Audit Committee, is responsible for the employment (including roles and responsibilities), compensation, and dismissal of a Chief Audit Executive (“CAE”) to manage the affairs of the OAS. The chancellor has the authority to make recommendations to the Audit Committee on the employment and dismissal of the CAE. The CAE reports: directly to the board; functionally through the Audit Committee; and administratively to the chancellor. Administrative reporting to the chancellor facilitates the day-to-day operations of the OAS and includes:

- (1) approval of travel or other expenses;
- (2) human resource administration, including compensation and evaluation of OAS staff members other than the CAE; and
- (3) other functions as may be delegated to the chancellor by the Audit Committee.

b. Annually, the Audit Committee shall evaluate the performance of the CAE.

c. The internal audit charter shall be reviewed at least annually by the CAE and presented to the Audit Committee for approval if there are any significant changes.

- d. Changes to the Mandate and Charter. Circumstances may justify a follow-up discussion between the CAE, board, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:
- (1) A significant change in the Global Internal Audit Standards.
 - (2) A significant acquisition or reorganization within the organization.
 - (3) Significant changes in the CAE, board, and/or senior management.
 - (4) Significant changes to the organization's strategies, objectives, risk profile, or the environment in which the organization operates.
 - (5) New laws or regulations that may affect the nature and/or scope of internal audit services.

07.02.4 Independence. The CAE will confirm to the board, at least annually, the organizational independence of the OAS. The Audit Committee must provide the CAE with opportunities to discuss significant and sensitive matters with the Audit Committee, including meetings without senior management present. The board and senior management shall ensure the CAE's ability to fulfill responsibilities without interference. Additionally, the staff of OAS has no direct responsibility or authority for activities or operations that may be audited or reviewed. Auditors do not develop and install procedures, prepare records, make management decisions, or engage in any other activity that could be reasonably construed to compromise their independence. Auditors are not, however, precluded from making recommendations and suggestions for the improvement of governance, risk management, and internal control processes. An audit or review does not substitute for or relieve other TTU system personnel of their assigned responsibilities. Any impairments to objectivity or independence (real or perceived) that affect the audit function's reliability or perceived reliability should be communicated to the Audit Committee by the CAE .

- 07.02.5 Scope and types of services. The comprehensive scope of services of the OAS is to determine if the TTU system's risk management, control, and governance processes are functioning in a manner that will enable goals and objectives of the TTU system to be met and to evaluate and improve the effectiveness of the TTU system's risk management, control, and governance processes. Specifically, the scope of services shall provide reasonable assurance that such processes are designed and operating in a manner to ensure:
- a. risks are effectively identified and managed;
 - b. risk management processes and internal control systems are adequate, effective, and efficient;
 - c. organizational performance management and accountability systems are effective;
 - d. governance processes facilitate sound decision making, organizational effectiveness, appropriate communications, and promotion of ethics and values;
 - e. financial, managerial, and operating information is accurate, reliable, and timely;
 - f. employees' actions are in compliance with policies, standards, procedures, and applicable statutes and regulations;
 - g. resources are acquired economically, used efficiently, and adequately protected;
 - h. programs, plans, and objectives are achieved; and
 - i. systems are designed and implemented with proper control structures.

07.02.6 Accountability and responsibility. The CAE, in the discharge of his or her duties, shall be responsible and accountable to the board through the Audit Committee to:

- a. develop a flexible annual audit plan using appropriate risk-based methodology and submit the plan to the board through the Audit Committee for review and approval; the CAE shall

consider for inclusion in the plan any risks or control concerns identified by management, fraud risks and the scope of work of internal and external assurance and consulting service providers, as appropriate, for the purpose of providing optimal audit coverage to the TTU system at a reasonable overall cost;

- b. oversee the execution of the annual audit plan;
- c. report significant issues related to the risk management, control, and governance processes of the TTU system, including potential improvements to those processes, and provide information concerning the resolution of such issues;
- d. report annually to the board, the chancellor, the governor, and state agencies, as required by the Act, on the activities of the OAS;
- e. provide information periodically on the status and results of the annual audit plan and the sufficiency of department resources, including OAS personnel (e.g., via annual budgeting and resource plan), to address identified risks within a reasonable time frame;
- f. coordinate with other control and monitoring functions (including, but not limited to, the Office of the General Counsel, compliance offices, the police departments of the component institutions, the State Auditor's Office, other state agencies, and external assurance and consulting providers) to maximize the efficient and effective use of audit resources;
- g. maintain a professional audit staff with the collective competencies and qualifications to meet the requirements of the audit purpose, mission and mandate; maintain and improve their competence through continuing professional education in alignment with the requirements of the Global Internal Audit Standards and the Texas Internal Auditing Act.
- h. establish a quality assurance and improvement program to ensure compliance with professional standards, consistency, and quality in OAS operations. The program will include performance measures to assess the internal audit function's pro-

gress toward the achievement of its objectives and promotion of continuous improvement. Annually, the CAE will communicate with the board about the OAS quality assurance and improvement program, including timelines to address recommendations identified in its external quality assessments;

- i. perform advisory services to assist management in meeting its objectives, examples of which may include facilitation, process design, training, and other advisory services;
- j. evaluate significant new or changing services, processes, operations, systems, and control processes coincident with their development, implementation, and/or expansion;
- k. report to the Audit Committee when the CAE has reason to believe that senior management has accepted a level of residual risk that may be unacceptable;
- l. keep the Audit Committee informed of emerging trends and successful practices in internal auditing;
- m. assist in the investigation of suspected fraudulent activities within the TTU system and keep appropriate management, the chancellor, and the board, through the Audit Committee, informed of such investigations and evaluate whether the organization's processes for managing fraud risks are adequate and effective and may recommend improvements where appropriate;
- n. coordinate any external audit or investigative effort performed by certified public accountants, the State Auditor's Office, or other auditors; this coordination may include scheduling of entrance and exit conferences, assisting with fieldwork, and/or reviewing management responses to findings and recommendations of the external auditors.

07.02.7 Authority.

- a. The CAE and staff of the OAS are authorized to:

- (1) have full, free, unrestricted access to all functions, data, information, records (including but not limited to student, personnel, and medical records), property, and personnel relevant to any audit or review; documents and information entrusted to auditors during the course of an engagement shall be handled in a prudent manner;
 - (2) have full and free access to the board through the Audit Committee and to the chancellor;
 - (3) allocate resources, set frequency and duration of engagements, select subject matter, determine engagement objectives and scope, and apply the techniques required to accomplish engagement objectives; and
 - (4) obtain the necessary assistance of personnel in units of the TTU system, as well as other specialized services from within or outside the TTU system.
- b. The CAE and staff of the OAS are not authorized to:
- (1) perform any operational duties for the TTU system;
 - (2) initiate or approve accounting or other transactions external to the OAS;
 - (3) direct the activities of any TTU system employee not employed by the OAS, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the auditors; or
 - (4) assess specific operations for which they had responsibility within the previous year.

07.03 **Fraud policy.**

The TTU system is committed to the highest standards of moral and ethical behavior. These standards and the subject of appropriate behavior are outlined in the operating policies of the component institutions and in various TTU system and board policies, which shall be observed by all TTU system students and employees. All officers, employees, and students are expected to obey all fed-

eral, state, and local laws and may be subject to disciplinary action for a violation of those laws.

The purpose of this policy is to address fraudulent acts. Fraudulent activity of any kind, including for the benefit of the TTU system, is expressly prohibited. This policy establishes the procedures and responsibilities for reporting and resolving instances of known or suspected fraudulent acts. For purposes of this policy, fraud is defined as follows:

- a. An intentional perversion of truth for the purpose of inducing another in reliance upon it to part with some valuable thing belonging to him or to surrender a legal right.
- b. A false representation of a matter of fact, whether by words or by conduct, by false or misleading allegations, or by concealment of that which should have been disclosed, which deceives and is intended to deceive another so that he shall act upon it to his legal injury.
- c. Any kind of artifice employed by one person to deceive another.

07.03.1 For purposes of this policy, the definition of fraud as per the above shall include, but not be limited to, the following:

- a. an intentional or deliberate act;
- b. depriving the TTU system or a person of something of value or gaining an unfair benefit; and
- c. using deception, false suggestions, suppression of truth, or other unfair means which are believed and relied upon.

07.03.2 A fraudulent act may be an illegal, unethical, improper, or dishonest act, including but not limited to:

- a. embezzlement;
- b. misappropriation, defalcation, misapplication, and other fiscal irregularities, and destruction, removal, or concealment of property;

- c. alteration or falsification of records or other documentation;
- d. false claims by students, employees, vendors, or others associated with the TTU system;
- e. theft of any asset including, but not limited to, money, tangible property, trade secrets, or intellectual property;
- f. inappropriate use of computer systems, including hacking and software piracy;
- g. bribery, rebate, or kickback;
- h. conflict of interest; or
- i. misrepresentation of facts.

07.03.3 Fraudulent act determination. While a fraudulent act may have criminal and/or civil law consequences, the TTU system is not required to use a determination by a criminal justice authority to criminally prosecute as the basis for determining whether an act is fraudulent. It is the internal determination that the above criteria are present that defines an act as fraudulent under this policy.

07.03.4 Duties and responsibilities. Administrators at all levels of management are accountable for setting the appropriate tone of intolerance for fraudulent acts by strictly displaying the proper attitude toward complying with laws, rules, regulations, and policies, including ethics policies. In addition, administrators shall be cognizant of the risks and exposures inherent in their area of responsibility, and shall establish and maintain proper internal controls which will provide for the security and accountability of the resources entrusted to them.

Any member of the campus community who has a reasonable basis for believing a fraudulent act has occurred has a responsibility to promptly notify one of the following:

- a. his or her supervisor;
- b. the appropriate administrator;

- c. the OAS; or
- d. the component institution's police department.

Employees who, in good faith, report unlawful activity are protected by the Texas Whistleblower Act against any retaliation by the TTU system for making such a report. The reporting member of the campus community shall refrain from confrontation of the suspect, further examination of the incident, or further discussion of the incident with anyone other than the employee's or student's supervisor or others involved in the resulting review or investigation. Persons found to be making frivolous claims under this policy shall be disciplined, up to and including termination of employment or expulsion from the TTU system.

- 07.03.5 Investigation. Supervisors and administrators at all levels of management who become aware of suspected fraudulent activity are to respond in a consistent and appropriate manner and shall report the suspected activity to the OAS. With the concurrence of the CAE, the supervisor or administrator may treat the incident as an administrative issue and have a qualified individual or individuals perform an objective review as considered necessary.

The OAS has the primary obligation for investigating reported incidents to the extent considered necessary for resolution. The OAS may contact other TTU system departments, including, but not limited to, the Office of General Counsel and the component institution's police department, to establish the necessary team to proceed with the review or investigation. The investigative team shall attempt to keep source information as confidential as possible. In those instances where the investigation indicates criminal activity, the investigation shall be turned over to the component institution's police department or other appropriate law enforcement agency. As required by law, the OAS shall notify the State Auditor's Office of suspected fraudulent activity.

All affected departments and/or individuals shall cooperate fully with those performing a review or investigation, including the OAS, law enforcement officials, regulators, and any other parties involved. During all aspects of the review or investigation, the constitutional rights of all persons shall be observed. Suspects and others involved

in the review or investigation shall be treated consistently without regard to past performance, position held, length of service, race, color, religion, sex, age, disability, national origin, or veteran status.

07.03.6 Disciplinary actions.

- a. Employees found to have participated in fraudulent acts as defined by this policy shall be subject to disciplinary action, including termination. Additionally, employees suspected of perpetrating fraudulent acts may be placed on administrative leave during the course of the investigation.
- b. In any case in which an investigation leads to a disciplinary action, the Office of Human Resources, Office of the General Counsel, Office of Equal Opportunity, and other appropriate offices shall be consulted prior to taking such actions. Criminal or civil actions may be pursued against employees who participate in fraudulent acts.
- c. An employee terminated by reason of involvement in the perpetration of a fraud will ordinarily be terminated without eligibility for rehire. Actions to be taken shall be determined without regard to past performance, position held, length of service, race, color, religion, sex, age, disability, national origin, or veteran status.
- d. Students found to have participated in fraudulent acts as defined by this policy shall be subject to disciplinary action pursuant to the operating policies of the component institution. In those cases where disciplinary action is warranted, the Dean of Students, Office of Student Services, Office of the General Counsel, or other appropriate office shall be consulted prior to taking such actions. Additionally, criminal or civil actions may be pursued against students who participate in fraudulent acts.

The relationship of other individuals or entities associated with the TTU system found to have participated in fraudulent acts as defined by this policy shall be subject to review, with possible consequences including termination of the relationship. In those cases where action is warranted, the Office of the General Counsel or other appropriate office shall be consulted prior to taking such actions.

Additionally, criminal or civil actions may be taken against individuals or entities associated with the TTU system who participate in unlawful acts.

07.03.7 Fraud reporting. The results of investigations conducted by the OAS shall be communicated, either orally or in writing, as determined by the CAE, to the board and to the chancellor and/or other appropriate administrators.

07.04 Budget rules and procedures.

07.04.1 Fiscal year. The TTU system fiscal year shall be September 1 through August 31.

07.04.2 General.

- a. The board is required by law and Section 01.02.8.d(3), *Regents' Rules*, to approve an annual budget covering the operation of the ensuing fiscal year. This budget shall be prepared within the limits of revenue available from legislative appropriations and estimated local and other funds.
- b. The budget is to be constructed along organizational lines and using appropriate fund groupings required by state law or recommended by the State Auditor's Office or the State Comptroller's Office.
- c. The board has the overall responsibility for the budget; however, limitations of time make it impractical for the board to address budget issues other than major policies and priorities. The board effectively discharges its budgetary responsibilities by reviewing and approving general policies. Detailed budgetary development and control is delegated to the chancellor, the presidents, and the chief fiscal officers.
- d. The annual budget shall be prepared and adopted well in advance of the fiscal period and shall include all anticipated operating revenues, expenditures, transfers, and allocations. Adjustments to the budget shall be approved in accordance with board policy set forth in Section 07.04.4, *Regents' Rules*.

- e. The chief fiscal officers are responsible for the compilation of estimates of revenues and the development of appropriate contingencies.
- f. The principal officers of the TTU system shall develop recommendations on major budgetary policies and programs. These policies include such items as salary and wage increases, differential allocations to certain programs, implementation of new programs, reduction or elimination of existing programs, and other budgetary items. The board's budgetary policies shall be communicated by the presidents, with the assistance of the chief fiscal officers of the component institutions, to the deans, directors, and departmental heads.
- g. The chancellor and presidents, with the assistance of the chief fiscal officers, shall present budget recommendations to the board that include a comparison of the proposed budget with those of previous years, explanation of major changes, description of programs added or eliminated, and salary and wage policies.
- h. The chief fiscal officers are responsible for communicating with budgetary units and providing each unit a copy of its approved budget.

07.04.3 Budgets and other expenditure certifications.

- a. Administrators must receive an approved budget from the chief fiscal officer or designee prior to expending funds or committing to expenditures. The chief fiscal officers are responsible for certifying that funds are available for each approved budget.
- b. Expenditures requiring board approval, including the annual operating budget and certain construction projects, must have a certification statement by the chief fiscal officer. The purpose of the statement is to provide the board an objective analysis for the adequacy of the funding proposed.

07.04.4 Budget adjustments. Budget adjustments to the annual operating budget or to other expenditures requiring board approval are defined in the following sections. Budget adjustments may not be di-

vided to fall within lower levels of approval. Approvals must be obtained prior to the effective date of action for the following:

- a. Board approval:
 - (1) Board approval is required for:
 - (a) adjustments that establish a new budget in excess of \$2,000,000 or increase an existing budget to an amount of more than \$2,000,000 due to new activities and/or revenue sources; and
 - (b) non-statutory adjustments to the salary of the chancellor.
 - (2) Emergency and exigent circumstances approvals. When an emergency or exigent circumstances exist, the chair or the chair of the Finance and Investments Committee may approve a proposal submitted by the chancellor, or the chancellor's designee, for budget adjustments which establish a new budget in excess of \$2,000,000 or increase an existing budget to an amount in excess of \$2,000,000 due to new activities and/or revenue sources, with subsequent notification to the board at the next regular board meeting.
- b. Chancellor's approval is required for the following:
 - (1) Budget adjustments of \$2,000,000 or less to the TTUSA's original operating budget.
 - (2) Non-statutory adjustments to the total salary or wage rate of a TTUSA employee when such an adjustment is 10% or more per annum. However, this requirement does not apply to:
 - (a) bona fide promotions or reclassifications;
 - (b) supplemental compensation payments required by law; or

- (c) adjustments to an employee's total salary or wage rate that result in an annual increase of \$2,000 or less.
 - (d) adjustments to the salary of TTU system officers and individuals covered under the provisions of Section 02.03.6, *Regents' Rules*.
 - (3) Adjustments authorized by law.
- c. President's approval is required for the following:
 - (1) Budget adjustments of \$2,000,000 or less to the institution's original operating budget.
 - (2) Non-statutory adjustments to the total salary or wage rate of an employee of the institution when such an adjustment is 10% or more per annum. However, this requirement does not apply to:
 - (a) bona fide promotions or reclassifications;
 - (b) supplemental compensation payments required by law;
 - (c) adjustments to the total salary or wage rate of an employee of the institution that result in an annual increase of \$2,000 or less; or
 - (d) adjustments to the total salary of a position covered under the provisions of Section 02.03.8, *Regents' Rules*.
- d. Approval of any agreement or contract, in accordance with Section 07.12.2, *Regents' Rules*, constitutes authority to establish a maximum budget that does not exceed the amount of the approved agreement or contract.
- e. The chancellor and presidents may delegate budget authority to appropriate budget and financial officials.
- f. Budgetary control.

- (1) An essential element of budgeting is the establishment of effective budgetary control. Budgetary control shall ensure that expenditures do not exceed available funds.
- (2) The chief fiscal officers are responsible to the presidents, the chancellor, and the board for maintaining budgetary controls. All expenditures in the institutions must be made within approved budgets. Administrators are not authorized to commit funds without a budget approved by the chief fiscal officers or designee. The chief fiscal officers shall provide the respective chief executive officer with a list of individual fund accounts with deficit fund balances greater than \$500,000 at the end of each fiscal quarter.
- (3) It is the responsibility of the department head (e.g., dean, chair, director) or designated financial manager to exercise budget control. These officers have the primary responsibility to control expenditures under their budget authority. Upon approval of the budget, department heads are responsible for assuring there is no deviation from the approved budgets.
- (4) The chief fiscal officers shall assure that monthly reports of revenues and expenditures are made available to each budget unit.

07.05 Debt management policy.

07.05.1 General debt management policy.

- a. All debt programs shall be made in accordance with applicable state and federal statutes and regulations. Notwithstanding any other provision of the *Regents' Rules*, the board shall authorize the issuance of all TTU system indebtedness.
- b. To the extent permitted by law, the board may grant to the chancellor, or the chancellor's designee, the authority to issue short-term indebtedness. The short-term debt program shall be utilized for capital projects during construction and for equip-

ment acquisition. Upon completion of a capital project, the related short-term debt shall be converted to bond indebtedness at the next reasonable opportunity. No project shall remain in short-term debt financing longer than two years without an exception granted by the Vice Chancellor and CFO.

- c. The vice chancellor and chief financial officer, or the vice chancellor and chief financial officer's designee, is authorized to approve the pricing of bond and note issues and is responsible for assuring that all bond covenants are in compliance and that all necessary approvals, certifications, and authorizations are fully documented and made available to the board and to all bondholders.
- d. The vice chancellor and chief financial officer, or the vice chancellor and chief financial officer's designee, is responsible for assuring that all debt service payments are made to the appropriate paying agents in a timely manner.
- e. Debt service funding is the responsibility of each institution participating in the RFS and the HEF programs.
- f. If a project requires Texas Higher Education Coordinating Board approval, no debt proceeds will be allocated to that project prior to receiving such approval.

07.05.2 RFS debt management policy.

- a. The TTU system and its components are eligible to participate in the RFS.
- b. The TTU system shall use the following guidelines for the RFS:
 - (1) Debt proceeds will be used only funding capital expenditures, bond issuance costs, or debt service. Generally, capital expenditures are for assets having a useful life of over one year. Buildings and other major capital projects shall be financed for a period of up to the lesser of the project's estimated useful life or 40 years. Equipment shall be financed for a period up to the lesser of its projected useful life or 10 years.

- (2) To the extent required by law, the Texas Higher Education Coordinating Board shall be notified of project costs in accordance with the relevant rules promulgated by the Coordinating Board.
- (3) Components of the TTU system are required to demonstrate reserves on their respective chart of accounts for bond financed debt other than Capital Construction Assistance Project (CCAP) debt and debt paid by HEF. Bond financed debt service shall be collected from the component institutions in the amount of the 1.15 ratio applied to the amount of unreserved debt service until the reserve accumulated is equal to the component's maximum annual debt service for the remaining debt outstanding. Once that reserve amount is achieved, the bond debt service shall then be collected in the amount of a 1.00 ratio. Component reserves will be represented by its Unrestricted Net Position. An annual certification by each component of its reserves will be provided to the TTU System VC/CFO's office in a form and timing to be determined by the TTU System VC/CFO.
- (4) The board shall approve designated debt financing prior to a project's initiation. Reimbursement clauses, revenue stream certification, non-default certification, and all requirements of the RFS Master Resolution shall be included in the agenda items submitted for board approval that authorize the debt financing.
- (5) For minor construction projects, as defined by Section 08.01.2, *Regents' Rules*, the chancellor, or the chancellor's designee, may approve RFS funding on behalf of the board to satisfy approval requirements of the Master Resolution authorizing the Revenue Financing System.
- (6) Higher Education Fund (HEF) appropriation transfers for debt service by the component institutions to the TTU system are authorized, but only for financed projects which would be eligible for HEF funding under Article

VII, Section 17 of the Texas Constitution and section 07.05.3(4) below.

- (7) Application to and approval of the Texas Bond Review Board is required for all new long-term issues, except as noted below. Long-term issuances also are subject to the examination and approval of the Texas Attorney General. (Note: Sec. 1231.041(b), *Texas Government Code*, eliminates the requirement for institutions of higher education to seek approval by the Texas Bond Review Board for bonds rated AA– or better, unless state general revenue is pledged on the debt.)
- c. The TTU system shall use the following general guidelines for the RFS:
- (1) A comparison of revenue projections with those actually collected in the previous year and an updated assessment of anticipated future revenues. If actual revenues were not sufficient, a written report to the board must be provided. This report must address why the revenues were insufficient and the impact on the institution's current and future ability to pay for its share of debt service.
 - (2) Verification that the institution has sufficient funds that may be pledged and are available for the next fiscal year's principal/interest payments.
 - (3) Verification that the institution is in compliance with all RFS bond covenants and *Regents' Rules* requirements relative to the issuance of RFS debt.
 - (4) The vice chancellor and chief financial officer shall prepare an annual report on the status of RFS obligations for the chancellor and the board. The report shall include the following:
 - (a) The balance of RFS obligations outstanding at the beginning of the fiscal year and on the date of the report.

- (b) A listing of projected needs (by institution and funding source) for the next year.
- (c) The amount of RFS obligations that will be necessary to fund each institution's needs for the next year.
- (d) A certification that the TTU system is current on debt service funding for RFS obligations outstanding. If an institution is not in compliance, the steps being taken to bring the institution into compliance shall be included and reported quarterly until compliance is achieved.

07.05.3 HEF debt management policy.

- a. Component institutions are eligible to participate in HEF debt financing.
 - (1) Except as described in Subdivision (4) of this subsection, HEF debt proceeds may be used for acquiring land, construction, equipping permanent improvements, major repair and rehabilitation of permanent improvements, acquisition of capital equipment, and refunding previously issued HEF indebtedness.
 - (2) HEF indebtedness shall be payable with HEF appropriated funds. Maturities shall not exceed 10 years. HEF bonds shall be competitively bid. HEF notes (e.g., commercial paper notes) need not be competitively bid. HEF indebtedness is subject to approval by the Texas Attorney General.
 - (3) No more than 50% of the annual HEF allocation of component institutions shall be used for paying debt service on HEF indebtedness issued on behalf of component institutions.
 - (4) HEF debt proceeds are not permitted by law to be used for maintenance, minor repairs, operating expenses, student housing, intercollegiate athletics, or auxiliary enterprises.

- 07.05.4 Equipment financing. Procedures for equipment financing under the commercial paper program(s) are as follows:
- a. For equipment costing \$1,000,000 or more, the board shall authorize the financing through the equipment financing program. For equipment costing less than \$1,000,000 but more than \$100,000 that is to be financed through the equipment financing program, the approval of the chancellor, or the chancellor's designee, is required. The Office of Treasury shall submit any required notice to the Texas Bond Review Board.
 - b. The minimum aggregate amount of equipment value to be financed under the equipment financing program is \$100,000 for each component institution. Multiple smaller equipment purchases may be combined to achieve the minimum amount. Each piece of equipment must have a useful life of not less than three years. The equipment shall be purchased from the vendor by the component institution. RFS debt shall be issued to reimburse the component institution for the equipment purchase. The debt shall be amortized over the life of the equipment as collaboratively discussed between the component and the Treasury office.

07.05.5 Failed remarketing procedures. Procedures to be used in the event of a failed remarketing of RFS commercial paper debt shall be maintained in the Office of Treasury.

07.05.6 Post tax-exempt issuance compliance. Procedures shall be maintained in the Office of Treasury that comply with all applicable federal tax law requirements ensuring that interest earned by the holders of tax-exempt bonds is not taxable under Section 103 of the U.S. Internal Revenue Code.

07.06 **Credit extension.** The chancellor, or the chancellor's designee, is authorized to approve the sale of goods and services on credit provided that: there is a public purpose for the sale that can be documented; and controls limiting risk of loss have been established and reviewed by the OAS.

07.07 **State comptroller deposits.**

- 07.07.1 Cash receipts. State statutes and the current state Appropriations Act require that all cash receipts accruing to component institutions be deposited in the state treasury, with the exception of those funds listed in Section 51.008, *Texas Education Code*. Funds to be deposited within the TTU system include funds from auxiliary enterprises, non-instructional services, agency, designated and restricted funds, endowment funds, trust funds, other gift funds, student loan funds, funds retained under Chapter 145, *Texas Education Code*, and Constitutional College Building Amendment Funds.
- 07.07.2 Depositing rules. Cash receipts that are required to be deposited in the state treasury shall be so deposited in the manner prescribed by state statutes and the current state Appropriations Act.
- 07.07.3 Revolving funds. Component institutions of the TTU system are authorized by the current state Appropriations Act to establish Revolving Funds under certain prescribed procedures to facilitate the payment of nominal expenses and to pay bills within cash discount periods, as well as for regular monthly, weekly, and special payrolls.
- 07.07.4 Board delegation of authority. The chancellor, or the chancellor's designee, is responsible for establishing, maintaining, and updating any TTU system depository and/or investment accounts, which includes maintaining authorized signatory cards for all financial accounts.
- 07.08 **Primary and secondary depositories for the TTU system.** Only those depositories selected as prescribed by this policy and in compliance with all existing statutes shall be used to deposit and safeguard all funds subject to the control of the board.
 - 07.08.1 Primary depository. A primary depository is defined as the bank or banks selected as the financial institution(s) in which all funds of the component institutions, except as herein provided, are deposited for operating or investment purposes. The board, in its sole discretion, shall select the primary depositories.
 - 07.08.2 Secondary depositories.
 - a. Secondary depositories may be selected by the Office of Treasury, with the approval of the chief fiscal officers, as banks in

which the component institutions may maintain deposits temporarily, prior to transmittal to primary depositories.

- b. Balances in secondary depository accounts shall be fully secured by the FDIC (or its successor), with a pledge of qualified securities held by a custodian bank and in an amount equal to 102% of the difference between the amount insured by FDIC and the greatest amount expected to be on deposit at any time.
- c. Funds in secondary depository accounts shall be transferred to the primary operating depository as soon as possible. In no event shall the amount on deposit exceed the amount insured by FDIC plus any collateral pledged against the account.

07.08.3 Board delegation of authority. The chancellor, or the chancellor's designee, is responsible for establishing, maintaining, and updating any TTU system depository and/or investment accounts, which includes maintaining authorized signatory cards for all financial accounts.

07.09 Travel authorization, reimbursement, and institutional regulations.

07.09.1 Travel approval. Each component of the TTU system shall promulgate operating policies, procedures, rules and regulations governing employee travel in conformity with federal and state laws.

07.09.2 Board members' travel and other expenses.

- a. All travel by board members that is paid from TTU system funds shall be for official business only.
- b. When traveling on official business, members of the board are authorized to be reimbursed from appropriated funds for the actual cost of:
 - (1) meals and lodging, subject to the rates and limitations established in statutory authority;
 - (2) local transportation;
 - (3) parking fees; and

- (4) airfare at the next lowest rate below first class, unless such a rate is not available.
- c. When the board member's spouse is required to accompany the board member for a valid public purpose, as determined by the board member, the spouse's expenses shall be reimbursed from non-appropriated funds.
- d. Vouchers for travel or other related expenses of board members shall be prepared in the Office of the Board of Regents, forwarded to the Office of the Chief Financial Officer for review, and returned to the Office of the Board of Regents for further approval.
- e. Vouchers for reimbursements to board members for other expenses shall be processed in accordance with Subsection d. of this section. These expenses must be for a valid public purpose, as certified by the board member. Any extraordinary expenses must be approved in advance by either the chair of the board or the chair of the Finance and Investments Committee.
- f. The vice chancellor and chief financial officer shall assure that expense vouchers for board members are audited annually.

07.09.3 Chancellor's travel and other expenses.

- a. The chancellor's travel that is paid from TTU system funds shall be for official business only.
- b. The chancellor is the executive head of a state agency and, when traveling on official business, is authorized by law to be reimbursed from appropriated funds for the actual costs of meals, lodging, local transportation, and parking fees, and for airfare at the next lowest rate below first class unless such a rate is not available.
- c. When the chancellor's spouse is required to travel for a valid public purpose, as determined by the chancellor, the spouse's expenses shall be reimbursed from non-appropriated funds derived from gifts received from private sources.

- d. Vouchers for travel or other expenses of the chancellor shall be forwarded to the vice chancellor and chief financial officer for review and then forwarded for approval to the chair of the Finance and Investments Committee or, in his or her absence, the board chair. Normally, vouchers shall be submitted within thirty days of the travel.
- e. When official business requires the chancellor to be absent from the campus for a period in excess of seven business days, excluding official TTU system holidays, the Office of the Board of Regents shall be notified in writing, with notification provided to the chair and vice chair of the board.
- f. The vice chancellor and chief financial officer shall assure that travel expense vouchers for the chancellor are audited annually by an external auditor.

07.09.4 Faculty, staff, and student travel. Each component institution shall develop and disseminate policies and procedures in operating manuals for travel of faculty, staff, and students that adhere to state and federal guidelines.

07.10 **Approval of tuition and student fees.**

- 07.10.1 Assessment. The board shall approve the assessment of tuition and fees for students of component institutions of the TTU system. The recommended revisions to tuition and fees shall be presented at least biannually to the board for approval. Notwithstanding, the Board of Regents delegate to the presidents, or the presidents' designee, the authority to set and approve all discretionary, incidental fees.
- 07.10.2 Collection. The authority of the board to collect tuition, fees, and other charges in accordance with the methods and manners prescribed in state statute is delegated to the presidents, or the presidents' designee.
- 07.10.3 Exemptions and waivers. The authority of the board to grant exemptions and waivers from tuition, fees, and other charges in accordance with state statutes is delegated to the presidents, or the presidents' designee.

- 07.10.4 Student financial assistance. The authority of the board to administer student financial assistance programs in accordance with Chapter 56, *Texas Education Code*, is delegated to the presidents, or the presidents' designee.
- 07.11 **Aircraft use and operation.** All TTU system staff, faculty, and students traveling on official business or activities shall use only those aircraft and aircraft operators that meet the requirements set forth below. The travel regulations contained in the state Appropriations Act and applicable state statutes shall be followed by the TTU system. Regardless of the source of funds, allowable reimbursements are established by the state Appropriations Act. In addition, TTU system employees are encouraged to be as conservative as possible in the use of air travel, using charter flights only when such flights are cost-effective or absolutely necessary.
- 07.11.1 Air travel requirements. The TTU system shall only use aircraft and aircraft operators that are flightworthy and are certified and operate under Subchapters F & G, Parts 91, 119, 121, 125, or 135, as applicable, in Chapter 1, Federal Aviation Regulations, 14 Code of Federal Regulations (the "C.F.R."). In addition, all aircraft used pursuant to this provision must, at a minimum, be piloted by pilots that are fully qualified and insured in the aircraft being flown, possessing a commercial pilot certificate with instrument rating. All flights involving student travel must be piloted by two pilots.
- 07.11.2 Foreign air travel. Air travel to or in foreign countries by TTU system faculty, staff or students shall be arranged only through commercial air carriers regularly engaged in scheduled passenger air transportation and in accordance with System Regulation 07.16.
- 07.11.3 Information requirement. With the exception of commercial, certified domestic and flag air carriers, aircraft operators shall provide the TTU system or contracted aircraft broker with the following information:
- a. type of certificate;
 - b. certificate number;
 - c. date the certificate was issued;

- d. expiration date for the certificate;
- e. type and registration number of aircraft authorized;
- f. name of the Federal Aviation Administration Flight Standards Office having jurisdiction over the certificate holder; and
- g. schedule of insurance coverage in effect, showing insurance companies, policy numbers, type, amounts, period of coverage, and special conditions, exceptions and limitations.

07.11.4 Aircraft made available to the TTU system by other than commercial operations. Aircraft and crew made available to the TTU system by other than commercial operators must, as a minimum, qualify under all regulations regarding aircraft and crew outlined in 14 C.F.R., Chapter 1, Subchapter G, Part 91, and conform to the insurance provisions set forth in Section 07.11.5, *Regents' Rules*. In addition, all aircraft used pursuant to this provision to transport students must, at a minimum, contain a multi-turbo prop engine or jet engine and be piloted by two pilots who are fully qualified and insured in the aircraft being flown and who possess a commercial pilot certificate with instrument rating.

07.11.5 Insurance. Aircraft owners/operators must furnish a certificate of insurance to the TTU system or contracted aircraft broker as proof of at least \$300,000 coverage per passenger, or the minimum amount required by law, whichever is greater.

07.11.6 Administrative requirements. The following are administrative requirements:

- a. All flights or master aircraft broker agreements involving leased or chartered aircraft, or aircraft made available to the TTU system pursuant to Section 07.11.4, *Regents' Rules*, must be approved in advance by the TTU System Office of General Counsel and the TTU System Office of Risk Management.
- b. All flights involving student travel, other than travel on commercial air carriers or on master aircraft broker agreements approved pursuant to *Regents' Rule 07.11.6.a*, must be approved in

advance by the applicable institution president or the president's designee.

07.11.7 Waiver. This policy may be waived by the prior written approval of the institution's chief academic officer for employees and graduate research assistants involved in research projects requiring aerial surveys. Such research projects must be supported by funded grants that have been approved by the Office of Research Services.

07.11.8 Aircraft piloted by TTU system personnel on official business. A TTU system employee may pilot an aircraft owned or leased by the employee for travel on official business and may be reimbursed for such travel in accordance with state regulations (see Chapter 660, Subchapter D, *Texas Government Code*). Any aircraft piloted by TTU system personnel for travel on official business must be maintained in accordance with all applicable Federal Aviation Regulations and shall have all instrumentation required for flying in the meteorological conditions then existing and as forecast. The pilot must be current and qualified in accordance with all applicable Federal Aviation Regulations for the type aircraft flown and for the meteorological conditions then existing and as forecast. No flight shall be piloted by TTU system personnel with other faculty, staff, students, prospective students, or guests aboard. Any TTU system personnel desiring to travel under this provision must execute a written release of liability releasing the TTU system from any and all liability associated with such travel.

07.12 Contracting policies and procedures.

07.12.1 General.

- a. This policy shall establish the authority for the board and authorized TTU system personnel to approve, sign, and execute contracts committing TTU system or any component institution to any contractual obligation.
- b. Written contracts shall be executed whenever a TTU system component enters into a binding agreement with another party which involves any material consideration. The written contract requirement may be satisfied by a formal purchase order as determined by the chief fiscal officer or their designee.

- c. Contracts include, but are not limited to: letter agreements, cooperative agreements, memorandums of understanding, inter-agency contracts, grants, loans, easements, licenses, leases, permits and restrictions on acceptances of gifts and bequests. Other parties include, but are not limited to: federal, state and local agencies, nonprofit organizations, private businesses, corporations, limited liability entities, partnerships, and individuals.
- d. Applicability of policy.
 - (1) This policy shall apply to all contracts for the initial periods and for amendments or extensions that are exercised thereto. For the purpose of determining whether a contract requires the approval of the board, any option(s) to extend or renew a contract that has been exercised shall be counted in the overall term of the contract.
 - (2) This policy shall also apply to, but not be limited to: cooperative agreements with affiliated and nonaffiliated hospitals and other health care agencies, private corporations, sole proprietorships, federal agencies, private partnerships, limited liability entities, and individuals.
- e. Officers and employees of the TTU system are prohibited from acting as an agent for another person in the negotiation of the terms of a contract relating to the provision of money, services, or property to the TTU system.
- f. The TTU system and its component institutions shall develop a contract management handbook that provides consistent contracting policies and practices. The provisions in this handbook shall be consistent with state and federal contracting laws, rules, and regulations.
- g. The TTU system and its component institutions shall develop contract review procedures and a contract review checklist that must be reviewed and approved by the TTU System Office of General Counsel before implementation.

- h. TTU system personnel authorized to execute contracts for TTU system or any component institution, or to exercise discretion in awarding contracts shall receive training and continuing education, including ethics training, the selection of appropriate procurement methods, and information resources purchasing technologies.
- i. In the event a contract executed under other provisions of this policy is subsequently found to be required by law or by this policy to be approved by and/or executed by the board, the contract shall continue to be in full force and effect, but shall be submitted as a consent item at the next available board meeting.
- j. Approval and signature execution of a contract pursuant to the provisions of this policy constitutes approval to establish an operating budget, when applicable, which shall not exceed the consideration of the contract. The operating budget then shall be considered approved in accordance with the provisions of Section 07.04, *Regents' Rules*, and related implementing procedures.
- k. Contracts shall not be divided to fall within lower levels of approval.

07.12.2 Prohibited contracts.

- a. Neither the TTU system administration nor a component institution may enter into a contract for the purchase of goods or services with a private vendor with whom any of the following persons have a financial interest unless the contract is for the purchase of goods or services solicited through a purchase order and the purchase order does not exceed \$25,000:
 - (1) the chancellor, vice chancellor and general counsel, president of the institution involved in the contract, chief procurement officer or equivalent employee responsible for procuring goods and services for the institution involved in the contract; or

- (2) a family member related to the employees and officials listed above within the second degree of affinity or consanguinity.
- b. A person listed in Section 07.12.2.a, *Regents' Rules*, has a financial interest in a private vendor if the person:
 - (1) owns or controls, directly or indirectly, an ownership interest of at least 1% in the private vendor, including the right to share in profits, proceeds, or capital gains; or
 - (2) could reasonably foresee that a contract with the private vendor could result in a financial benefit to the employee, official, or family member within the second degree of affinity or consanguinity.
- c. A financial interest prohibited by this section does not include a retirement plan, a blind trust, insurance coverage, or an ownership interest of less than 1% in a corporation.

07.12.3 Board approval.

- a. Upon recommendation of the chancellor, board approval is required for contracts that involve a stated or implied consideration that totals in excess of \$1,000,000 per annum of the contract, unless a different consideration is specified by this policy. This requirement is applicable to both cash and non-cash considerations. The board may delegate the approval and signature authority for such contracts to the chancellor or component president.
- b. The board must approve any amendment, extension, or renewal of a contract with a value that exceeds 25% of the value of the original contract approved by the board or that increases the value of the original contract to more than \$1,000,000 per annum of the contract unless the authority to exceed the approved amount is expressly delegated by the board or an exception is expressly adopted by the board for that contract.
- c. For each contract for the purchase of goods and services with a value exceeding \$5,000,000, the applicable chief procurement of-

ficer for the applicable component institution or the TTU system must submit to the board:

- (1) verification that the solicitation and purchasing methods and contractor selection process comply with state law and TTU system/institutional policies; and
 - (2) information on any potential issue that may arise in the solicitation, purchasing, or contractor selection process.
- d. Contracts involving a sale or lease of land and/or improvements thereon, or a commitment of funds or other resources for more than five years as stated in Section 07.12.1.d(1), *Regents' Rules*:
- (1) Upon recommendation of the chancellor, board approval is required for the following contracts or agreements:
 - (a) contracts that involve:
 - i. a sale or purchase of land and/or improvements thereon by a TTU system entity, or
 - ii. a lease of land and/or improvements thereon for more than five years, where a TTU system entity is either the lessor or the lessee;
 - (b) contracts that involve a commitment of funds or other resources for more than five years.
 - (2) Contracts that may be terminated without cause with notice of 180 days or less are excepted from the requirements of Section 07.12.3.d(1), *Regents' Rules*.
- e. Contracts that provide for the services of a consultant:
- (1) Consulting contracts with an initial consideration in excess of \$100,000:
 - (a) Upon recommendation of the chancellor, board approval is required prior to the execution of a consulting contract with an initial consideration in excess of

\$100,000 and prior to the execution of all modifications that increase the consideration of such a contract.

- (b) A consulting contract with an initial consideration in excess of \$100,000 may be executed prior to approval by the board if:
 - i. the contract includes a provision that limits the total amount to be paid to the consultant to no more than \$100,000 unless and until such time as the board has approved the agreement;
 - ii. the vice chancellor and chief financial officer, in consultation with the chancellor, presidents, and chief fiscal officers provides approval to execute contract with an initial consideration in excess of \$100,000; and,
 - iii. an agenda item is provided for approval by the board at the next board meeting.

- f. Employment contracts and agreements:
 - (1) Employment contracts or agreements include but are not limited to letters of agreement and memoranda of understanding.
 - (2) Except as provided in Section 07.12.3.f(3) herein, employment agreements that contain one or more of the following provisions must be approved by the board:
 - (a) employment contracts having a total value (including cash and non-cash considerations) over the entire term of the contract of more than \$1,000,000;
 - (b) employment contracts having a term longer than five (5) years;

- (c) employment contracts that allow for settlement or other payments on the termination of the contract to exceed an amount equal to the discounted net present cash value of the contract on termination at the U.S. Treasury rate that matches the remaining term of the contract;
 - (d) employment contracts allowing for development leave that is inconsistent with Section 04.05, *Regents' Rules*, and/or institutional operating policies; or
 - (e) employment contracts awarding tenure in any way that varies from the applicable operating policies on the award of tenure.
- (3) The following are excepted from the requirements of Section 07.12.3.f(2), *Regents' Rules*, but to the extent any excepted contract has a value exceeding \$1,000,000, the board delegates approval and signature authority for the contract to the president of the applicable component institution or to the chancellor for TTUSA contracts:
- (a) Employment agreements for the chancellor or presidents shall be governed by Sections 02.01.2 and 02.03.1.b(2) of the *Regents' Rules*, respectively.
 - (b) Athletic employment agreements:
 - i. Athletic directors and head coaches. Employment contracts and employment contract modifications and extensions for athletic directors and head coaches of intercollegiate athletics programs do not require the approval of the board if: the total value (including cash and non-cash considerations) over the entire term of the contract is \$2,000,000 or less; and the term of the contract does not exceed five (5) years. For athletic directors, such contracts, modifications, and extensions shall receive the final approval of the president, with prior notification to the chancellor. For head coaches, such contracts,

modifications, and extensions shall have the recommendation of the athletic director and receive the final approval of the president, with prior notification to the chancellor.

- ii. Assistant coaches. Employment agreements for assistant coaches of intercollegiate athletics programs do not require board approval.
- (c) Health-related institution faculty employment contracts. However, for such contracts that would require the approval of the board under Section 07.12.3.f(2)(b-e), when it is not feasible or practical to delay action until the next scheduled regular or special called meeting of the board and upon the recommendation of the chancellor, approval of the contract may be given by the chair or the chair of the Finance and Investments Committee. Contracts approved in this manner shall be reported to the board as an information item at the next board meeting.
- g. Upon recommendation of the chancellor, board approval is required for contracts involving the initial placement of vending machines, games, or any other coin operated food, refreshment, and amusement devices placed in service in any facility owned, operated, or controlled by the TTU system. The president, or the president's designee, is delegated the authority to determine and approve the location of vending machines, games, or other coin operated food, refreshment, and amusement devices placed in all buildings and property under the charge and control of the president's institution.
 - h. Contracts to license the sale of alcoholic beverages by a third-party vendor at a TTUS facility shall be approved by the president or president's designee of the component institution that is responsible for the facility or facilities involved. Before any such approval is granted, the president shall notify the chancellor.
 - i. Unless prohibited by law, when an emergency or exigent circumstances exist and it is not feasible or practical to convene a quorum of the board within the time in which action is needed,

approval may be given for a contract proposal submitted by the chancellor, or the chancellor's designee, by verbal approval of the chair or of the chair of the Finance and Investments Committee. Contracts approved in this manner shall be presented to the board as an information item at the next board meeting.

07.12.4 Board delegation of authority.

- a. The following are excepted from the requirements of Section 07.12.3.a and 07.12.3.b, *Regents' Rules*, the chancellor or president, or the chancellor or presidents designee, as appropriate, is delegated the authority to approve: (i) contracts that involve a stated or implied consideration that total in excess of \$1,000,000 over the entire term of the contract but the per annum amount is less than \$1,000,000; and (ii) any amendment, extension, or renewal of a contract originally approved by the chancellor or president, as appropriate, so long as the amendment, extension, or renewal does not cause the per annum amount of the contract to exceed \$1,000,000. This requirement is applicable to both cash and non-cash considerations. Information about such contracts or contract amendments, extensions, or renewals that are approved by the chancellor or a president under this delegation of authority shall be provided to the board as an information item at the next regular board meeting.
- b. The following are excepted from the requirements of Section 07.12.3.a and 07.12.3.d, *Regents' Rules*, the board delegates to the presidents or the presidents designee the authority to approve the proposals and execute and sign contracts for sponsored program projects in excess of \$1,000,000 per annum or in excess of term limitations set forth herein. Sponsored program projects are those grants, contracts, cooperative agreements, or other ancillary documents from either the public or private sectors that support research, instructional, and service projects. A list of such contracts for sponsored program projects in excess of \$1,000,000 per annum or in excess of term limitations set forth in 07.12.3.d, *Regents' Rules*, shall be provided to the board as an information item at the next regular board meeting.
- c. The following are excepted from the requirements of Section 07.12.3.a and Section 07.12.3.b, *Regents' Rules*, the board dele-

gates to the presidents of health-related institutions the authority to approve the proposals and execute and sign contracts for health related services, as specified herein. This delegation is limited to contracts with entities for which the institution has an ongoing and continuing contractual relationship, to include: revenue contracts from which the institution receives payment for health related services; participation in health provider networks; resident or faculty support; and expense contracts with healthcare providers or suppliers necessary to fulfill the obligation to provide health related services as part of a revenue contract or new health related services contracts that involve a stated or implied consideration that total in excess of \$1,000,000 over the entire term of the contract but the per annum amount is less than \$1,000,000. Before such a contract may be executed, the president shall obtain the prior review of the TTU system Office of General Counsel and the TTU system vice chancellor and chief financial officer, or their designees. A list of health related services contracts that have been executed under this delegation of authority since the previous regular board meeting shall be provided to the board as an information item at the next regular board meeting.

- d. The board delegates to the chancellor and the presidents the authority to execute and sign contracts related to construction projects for TTUSA and the component institutions, respectively, as provided by Chapter 08, *Regents' Rules*.
- e. The following are excepted from the requirements of Section 07.12.3.e, *Regents Rules*. Contracts that provide for the services of a consultant:
 - (1) Consulting contracts with an initial consideration of \$100,000 or less:
 - (a) Board approval is not required, but the vice chancellor and chief financial officer, in consultation with the chancellor, presidents, and chief financial officers of the institutions, shall review consulting contracts of \$100,000 or less prior to execution of the contract by the chancellor or president, as appropriate.

- (b) A report of the contract shall be provided as an Information Agenda item at the next board meeting.
 - (c) Approval of the board is required prior to execution for any modification to a consulting contract where the initial consideration was \$100,000 or less and the modification will cause the total consideration to exceed \$100,000.
- (2) For the purposes of Section 07.12.4.e, *Regents' Rules*, a search firm is a service provider and is not deemed to be a consultant.
- f. The following are excepted from the requirements of Section 07.12.3.d.(1), *Regents Rules*, the board delegates to the presidents or the presidents' designee the authority to approve lease agreements for athletic suites at institutions' athletic facilities.
 - g. The following are excepted from the requirements of Section 07.12.3.a and 07.12.3.d, *Regents' Rules*, the board delegates to the chair of the Finance and Investments Committee the authority to approve, upon the recommendation by the Chancellor or President, or their designee, as appropriate, (i) any contract or transaction involving a sale or purchase of real property, or commitments of land including without limitation leases, easements and licenses even if more than five years with a per annum amount that is less than \$1,000,000; and (ii) any amendment, extension or renewal of such contract or transaction originally approved by the Board of Regents' or the chair of the Finance and Investments Committee, so long as the amendment, extension or renewal does not cause the per annum amount of the contract to exceed \$1,000,000. This requirement is applicable to both cash and non-cash considerations. Any such contracts, transactions, amendments, extensions, or renewals that are approved by the chair of the Finance and Investments Committee under this delegation of authority shall be placed as an information agenda item at the next regular board meeting.

07.12.5 Chancellor's approval.

- a. In addition to the requirements of 07.12.3 and 07.12.4, *Regents' Rules*, approval of the chancellor or the chancellor's designee is required for TTUSA contracts that involve a stated or implied consideration of \$1,000,000 or less per annum. This requirement is applicable to both cash and non-cash considerations. Such TTUSA contracts may be signed by the chancellor or the chancellor's designee. Provisions in the *Regents' Rules* regarding employment contracts shall govern the approval of those employment contracts.
- b. In addition to the requirements of 07.12.3 and 07.12.4, *Regents' Rules*, approval of the chancellor or the chancellor's designee is required for all TTUSA contract renewals, extensions or amendments that do not cause the contract amount to exceed \$1,000,000 per annum. Such TTUSA contract renewals, extensions, or amendments may be signed by the chancellor or the chancellor's designee.

07.12.6 President's approval.

- a. In addition to the requirements of 07.12.3 and 07.12.4, *Regents' Rules*, approval of the president or the president's designee is required for all component institution contracts that involve a stated or implied consideration of \$1,000,000 or less per annum. This requirement is applicable to both cash and non-cash considerations. Such component institution contracts may be signed by the president or the president's designee. Provisions in the *Regents' Rules* regarding employment contracts shall govern the approval of those employment contracts.
- b. In addition to the requirements of 07.12.3 and 07.12.4, *Regents' Rules*, approval of the president or the president's designee is required for all component institution contract renewals, extensions, or amendments that do not cause the contract amount to exceed \$1,000,000 per annum. Such component institution contract renewals, extensions or amendments may be signed by the president or the president's designee.

07.13 HUBs

- 07.13.1 TTU system commitment. The TTU system is committed to providing procurement and contracting opportunities to HUBs.
- 07.13.2 HUB Coordinators. The chancellor and the presidents of the component institutions shall have the responsibility for planning, coordination, implementation, and enforcement of HUB policies within their respective components. The chancellor or president, as appropriate, shall appoint a HUB Coordinator for their respective component to carry out the provisions of this policy. The HUB Coordinator must be at least equal in position to the component's procurement director. The HUB Coordinators shall:
- a. coordinate training programs to recruit HUBs and to assist HUBs in conducting business with the TTU system and its components;
 - b. report required information to the Office of the State Comptroller;
 - c. match HUBs with key TTU system staff to ensure that HUBs interact with the appropriate personnel of the TTU system; and
 - d. make a good faith effort to increase the award of goods and service contracts to HUBs in accordance with state statutes and the promulgated rules of the Office of the State Comptroller.

The TTU system shall implement policies and procedures in its operating policies setting forth its HUB programs and procedures. The chancellor and the presidents shall provide support, as needed, to implement these HUB policies.

07.14 Professional Medical Malpractice Self-Insurance Plan settlement authority.

- 07.14.1 Board authority. This policy establishes the board's authority to settle claims arising under the Texas Tech University System Self-Insurance Plan ("the Plan").
- 07.14.2 Board approval. Board approval is required to settle claims in excess of \$250,000 arising under the Plan.

- 07.14.3 Chancellor approval. Settlements in excess of \$100,000 but less than or equal to \$250,000 require the chancellor's approval.
- 07.14.4 Vice chancellor and general counsel approval. The vice chancellor and general counsel may approve settlements of \$100,000 or less.
- 07.14.5 Approval during period between board meetings. If necessary during periods between board meetings, the chair or the vice chair of the board may authorize settlements of claims in excess of \$250,000 upon the recommendation of the chancellor

Dates Approved or Amended:

<i>Comprehensive review of chapter</i>	02-28-2014	• amendments throughout
<i>Amendment</i>	03-06-2015	• §07.03.6 re: fraud disciplinary actions
<i>State contracting law changes</i>	10-09-2015	• amendments to multiple sections, including: §07.02.4.a, 07.02.6, 07.02.7.o, 07.03.2.b, and extensively throughout 07.12
<i>Various amendments</i>	05-20-2016	• amendments to multiple sections, including: §07.02.6, 07.02.7, 07.03, and extensively throughout 07.12
• Additional state contracting law changes		• to reflect changes in the audit mission, code of ethics, and audit standards adopted by the Institute of Internal Auditors
• Updates to audit provisions.....		• to conform the budget adjustment policy to the contract policy and to require that such proposals be submitted by the Chancellor
• Revisions to emergency approvals of a budget adjustment or a contract		• to require that such proposals be submitted by the Chancellor
• Change in the 'early start' provision for consulting contracts of more than \$25,000		
<i>Amendment</i>	10-14-2016	• amended §07.05.2.b to bring the provision on use of debt proceeds in line with U.S. Treasury regulations
<i>Amendment</i>	08-11-2017	• amended §07.12.4.e(2) to require the prior review of \$25,000-or-less consulting contracts by the System CFO, rather than by the Board chair and chair of the Finance & Administration Committee
<i>Amendments</i>	10-20-2017	amended §07.12.4 by: • adding a new §07.12.4.c for a delegation to the presidents of health-related institutions of

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- contract approval authority for certain health-related continuing contractual relationships
 - deleting the old §07.12.4.d due to it conflicting with §07.12.3.b
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Amendments..... 03-02-2018

Debt and equipment financing

- §07.05.2.b(4) – clarifying changes regarding the debt collection ratio as recommended by Texas Tech’s outside bond financial advisors;
- §07.05.2.b(5) – language added regarding Higher Education Fund appropriation transfers for debt service in order to conform that policy to the requirements of the state’s General Appropriations Act; and
- §07.05.4.a – commercial paper approval thresholds for equipment financing changed to be consistent with other Board approval thresholds, such as for approval of contracts.

Student financial assistance programs — §07.10.4 added to provide a delegation of authority to the presidents to administer student financial assistance programs governed by Chapter 56, *Texas Education Code*.

Contracting and conflict of interest policies

- revisions driven by legislative/statutory changes ... in §07.12.2.a-c; and
- clarifying changes driven by Office of Audit Services recommendations in: §07.12.3.b ... §07.12.4.a ... §07.12.5 ... §07.12.6 ... §07.12.7.

Office of Treasury — throughout Chapter 07, the name of the “Office of Treasury and Cash Management” changed to “Office of Treasury”.

Amendments..... 08-09-2019

- amended §07.00.2, §07.05.1.e and §07.05.3.a to change “HEAF” to “HEF”
 - added a new §07.05.2.b(6) to allow the Chancellor to approve RFS funding for minor construction projects
 - added a new §07.07.4 and a new §07.08.3 for a delegation of authority to the Chancellor for state comptroller deposits and primary/secondary depositories
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Amendments..... 02-24-2022

- §07.02.3 – language added to reflect the current standards of audit practices.
- §07.03.6.b – Added the Office of Equal Opportunity to the list of offices with which to consult when an employee’s fraudulent act leads to disciplinary action.
- §07.04.3.b – deleted antiquated certification requirement as TTU system is no longer subject to the TX Bond Review Board.
- §07.04.4.a.(1), §07.04.4.b.(1), §07.04.4.c.(1), and §07.04.4.f.(2) – updated regarding budgetary control to specify: (1) the requirement of board approval for budget adjustments that are more than \$2 million due to new activities and /or revenue sources (increased from \$1 million); (2) the chancellor’s ability to approve budget adjustments of \$2 million (increased from \$1 million) or less to TTUSA’s original budget; (3) president’s ability to approve budget adjustments of \$2 million (increased from \$1 million) or less to each institution’s original budget; and (4) update the threshold to \$500,000 for reporting deficit fund balances.
- §07.05.2.b(4) – added the word “division” to replace the word “area” as division is more accurately defined.
- §07.05.2.b(7) & §07.05.2.c – added clarification on the appropriate use of Higher Education Fund for financed projects and deleted antiquated language related to the Revenue Financing System.

- §07.10.1 – language added to indicate the role of the board in approving revisions to tuition and fees biannually to replace the existing requirement for annual approval.
- §07.12.1.b & §07.12.1.e-i – language added to clarify that: (1) the requirement for written contracts may be satisfied as a purchase order; (2) the development of contract review procedures and check lists to ensure consistency in contracting practices; (3) employee training and continuing education on ethics, appropriate procurement methods and information resources purchasing; and (4) appropriate submission of contracts to the board.
- §07.12.3.a & b– language added for term threshold for when a contract in excess of \$1 million require board approval - changed from “over the term” to “per annum.”
- §07.12.3.d– language updated on the exemption from board approval for contracts that may be terminated without cause with notice of 180 days.
- §07.12.3.e(1) – language relocated (previously in 07.12.4e) and the threshold for consulting contract requiring board approval increase to initial considerations in excess of \$100,000 (up from \$25,000) and time sensitive contracts may be approved by the vice chancellor and CFO, the chancellor and component president and later presented at the next scheduled board meeting.
- §07.12.3.h – language moved from Chapter 8 to Chapter 7- the existing requirement for presidential approval of contracts for the sale of alcohol by third party vendors at TTU system facilities. The requirement that the board approves sale of alcoholic beverages by a third-party vendor at any intercollegiate athletic event is also removed, thereby granting this approval to presidents.
- The summary table for contract approval is relocated to the end of the chapter and reflects the necessary updates
- Other editorial changes throughout to improve clarity and readability.

Amendments..... 02-23-2023

- §07.11.3 – Added “or contracted aircraft broker” to potential recipient of required information.
- §07.11.5 – Added “or contracted aircraft broker” to potential recipient of proof of certificate of insurance.
- §07.11.6.a – Approval of leased or charter aircraft is now done by the TTU System Office of General Counsel and the TTU System Office of Risk Management which replaced approval by of the chancellor. Also adds a master aircraft broker agreements as an option in the approval process.
- §07.11.6.b – Added master aircraft broker agreements for flights involving students and replaced chancellors approval of these flights with approval of the institutional president.
- §07.11.6.c – Deleted this section.
- §07.12.3.d – Increase term threshold for board approval of contracts from four (4) to five (5) years.
- §07.12.3.f.(2).(b) – Increase term threshold for board approval of employment contracts from four (4) to five (5) years.
- §07.12.3.f.(3).(b).(ii) – Updated to remove the requirement for board approval of employment agreement for assistant coaches of intercollegiate athletics programs.
- §07.12.4.b. – Updated to allow for greater operational flexibility in sponsored program projects agreements and any ancillary documents or contracts that support those programs and conform to the five years term limits updated in §07.12.3.d.
- §07.12.4.f – New subsection delegates to presidents the authority to approve lease agreements for athletics suites.

Amendments..... 11-16-2023

- §07.10.1 – Added language to delegate to presidents, or their designee, the authority to set and approve all discretionary, incidental fees.

Amendments..... 08-08-2024

- §07.09.2.d – Remove the requirement that the board chair or the chair of the Finance and Investment Committee approve all vouchers for board members and also removes the restriction on board members approving their own vouchers.
 - §07.09.3.d – The timeline for submitting the chancellor’s travel voucher is amended to reflect the standard 30 days that is the practice under current travel policies.
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Amendments..... 08-14-2025

- § 07.05 – various amendments including: 1) added time constraint requirements for how long projects may remain in Commercial Paper; 2) refining debt service reserve requirements to explicitly allow components use of unrestricted reserves and updates reporting requirements; 3) clarifying equipment financing amortization thresholds
 - §07.10 – Update wording to allow more flexibility to accommodate instances where revisions are needed more often than biannually.
 - §07.11 – Added reference to related System Regulation 07.16 (Foreign Adversaries-Gifts and Travel.)
 - §07.12– Added requirement that TTU System Office of General Counsel must review and approve contract review procedures and added a provision delegating authority to the chair of the Finance and Investments Committee to approve certain real property contracts or land-related commitments, provided they fall within specified conditions.
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Amendments..... 11-14-2025

- Amendments throughout to §07.02 regarding the Office of Audit Services and to ensure compliance with the Texas Internal Auditing Act and the Institute of Internal Auditors (IIA’s) Global Internal Audit Standards.
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See also the document entitled “Comprehensive Reviews and Updates” for a more complete explanation of the amendments listed above.

APPENDIX A – summary of required contracting approvals

Contract Terms	<i>Regents' Rules</i> Section Citation	Approval Required
Contracts in excess of \$1,000,000 per annum; and any amendment, extension or renewal of such contracts that increases the value of the original contract to more than \$1,000,000 per annum.	07.12.3.a 07.12.3.b	Board
Contracts in excess of \$1,000,000 total but less than \$1,000,000 per annum; and any amendment, extension or renewal of such contracts that does not cause the per annum amount to exceed \$1,000,000	07.12.4.a 07.12.5 07.12.6	Chancellor or President - <i>with information item provided to board at next meeting</i>
Contracts for real property: sale or purchase; and lease for more than 5 years (<i>unless the contract can be terminated without cause with notice of 180 days or less</i>)	07.12.3.d(1)(a)	Board
Contracts in excess of five years (<i>unless the contract can be terminated without cause with notice of 180 days or less</i>)	07.12.3.d(1)(b)	Board
Consulting contracts in excess of \$100,000, and all modifications that increase the consideration of such contracts	07.12.3.e(1)	Board
Consulting contracts of \$100,000 or less	07.12.4.e(1)	Chancellor or President – <i>with prior review by the VC/CFO and information item provided to board at next meeting.</i>
Employment contracts	07.12.3.f	[see Appendix B]
Initial contracts for vending machines	07.12.3.g	Board
Contracts to license sale of alcoholic beverages by third-party vendor at a TTUS facility	07.12.3.h	President
Sponsored program project contracts in excess of \$1,000,000 per annum	07.12.4.b	President – <i>with information item provided to board at next meeting</i>
Certain health-related continuing contractual relationships	07.12.4.c	President - <i>with prior review of General Counsel and VC/CFO and information item provided to board at next meeting.</i>
Contracts with search firms (<i>so long as contract amount does not exceed \$1.0 million per annum</i>)	<i>due to</i> 07.12.4.e(2) and 07.12.4.a: 07.12.5 or 07.12.6	Chancellor (<i>for TTUSA searches</i>) or President (<i>for institutional searches</i>)

APPENDIX B – summary of employment agreement approvals (per Sec. 07.12.3.f, *Regents' Rules*)

BOARD APPROVAL REQUIRED	<i>per Section 07.12.3... ↓</i>	BOARD APPROVAL NOT REQUIRED
<p>If <u>any</u> of the following provisions apply, the agreement must be approved by the Board:</p> <ul style="list-style-type: none"> • Total value over the entire term of the contract exceeds \$1.0 million. • Term is longer than 5 years. • Termination payment exceeds an amount equal to the discounted net present cash value of the contract upon termination at the U.S. Treasury rate that matches the remaining term of the contract. • Contract allows for development leave inconsistent with <i>Regents' Rules</i> or institutional operating policies. • Contract awards tenure in any way other than as provided in Board-approved operating policies. 	<p>← f(2)(a) →</p> <p>← f(2)(b) →</p> <p>← f(2)(c) →</p> <p>← f(2)(d) →</p> <p>← f(2)(e) →</p>	<p><u>All</u> of the following provisions must apply for the agreement to be exempt from Board approval:</p> <ul style="list-style-type: none"> • Total value over the entire term of the contract is \$1.0 million or less. • Term is 5 years or less. • Termination payment does <u>not</u> exceed an amount equal to the discounted net present cash value of the contract upon termination at the U.S. Treasury rate that matches the remaining term of the contract. • Contract does <u>not</u> allow development leave inconsistent with <i>Regents' Rules</i> or institutional operating policies. • Contract does <u>not</u> award tenure in any way other than as provided in Board-approved operating policies.
<p>Chancellor or President contract. [see Sections 02.01.2 and 02.03.1.b(2), respectively]</p>	<p>← f(3)(a) →</p>	<p>— — — —</p>
<p>Athletic director or head coach contract if:</p> <ul style="list-style-type: none"> • total value over the entire term of the contract exceeds \$2.0 million; OR • term exceeds 5 years. 	<p>← f(3)(b)i →</p>	<p>Athletic director or head coach contract if: • total value over entire term of the contract is \$2.0 million or less; AND ... • term is 5 years or less. [<i>President approves, and Chancellor gets prior notice.</i>]</p>
<p>Assistant coach contract: Board approval not required.</p>	<p>← f(3)(b)ii →</p>	<p>Assistant coach contract: President approves.</p>
<p>Health-related institution faculty contract if: any of the general thresholds shown above are exceeded ... but a process for quick approval is provided when needed.</p>	<p>← f(3)(c) →</p>	<p>Health-related institution faculty contract if: none of the general thresholds provided in Sec. 07.12.3.f(2) are exceeded.</p>