
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 statement. The mission of the Office of Audit Services ("OAS") is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

07.02.2 Objectives. The OAS shall:

- a. provide independent, objective assurance and consulting services designed to add value and improve the operations of the TTU system; and
- b. assist the TTU system in accomplishing its objectives by using a systematic, disciplined, and risk-based approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

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.

- 07.02.6 Scope of work. The comprehensive scope of work of the OAS is to determine if the TTU system's network of risk management, control, and governance processes is 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 . An a

- h. establish a quality assurance and improvement program to ensure compliance with professional standards, consistency, and quality in OAS operations;
- i. consider performing 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

- (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 audits, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives; and
- (4) obtain the necessary assistance of personnel in units of the TTU system where the OAS performs audits, as well as other specialized services from within or outside the TTU system.

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- 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.

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- (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 estab42c 0 Tw 17c8 (b)-1 (et)3.5 (

controls. All expenditures in the institutions must be

- (4) Components of the TTU system are required to establish internal debt reserves on their respective chart of accounts by participating division or department on bond financed debt other than tuition revenue and HEF debt. Bond financed debt service shall be collected from departments at the component institutions in the amount of the 1.15 ratio until the maximum reserve accumulated is equal to the divisions or department's maximum annual debt service for the remaining debt outstanding. When the maximum reserve is reached, the bond debt service shall be collected in the amount of a 1.00 ratio. Should newly-issued debt cause a division's or department's new maximum annual debt service to exceed their accumulated reserve, then the 1.15 ratio will apply only to debt service on the newly-issued debt. The TTUS Office of Treasury monitors bond debt service reserves additions and reserve balanc-

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- (8) 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

- 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 fi-

listed in Section 51.008, *Texas Education Code*. Funds to be deposited within the TTU system include funds from auxiliary enterprises, non-

- 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

- 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.

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 0.007 Tc -0.017 (e o)15e (n)-1 (ly)14.8[(.)-0.017 5(0.007 Tc r.4 (en)-0.

- 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 pro-

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

- 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

- (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

- 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 delegates 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 TTU

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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

siderations. 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,

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.

~~_____ authority. This Policy establishes the board's authority to se 4 > > B D~~

adjustment or a contract

the contract policy and to require that such proposals be submitted by the Chancellor to require that such proposals be submitted by the Chancellor

Change in the 'early start' provision for consulting contracts of more than \$25,000

Amendment.....10-14-2016

amended 07.05.2.b to bring the provision on use of debt proceeds in line with U.S. Treasury regulations

Amendment.....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

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, §077 (i)-1Ba347 Td[(t)-20 y cun7 (i)gstof-6.7 (a)-19.4(e)-13 (i)-15 (r-20 (e)-13.7 (e)]TU Tc 0)-13.7 u (e)]TU BDC

§07.12.3.d –

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

