OP 61.25: Financial Administration of Construction Projects

DATE: April 3, 2017

PURPOSE: The purpose of this Operating Policy/Procedure (OP) is to establish formal policies and procedures for the financial administration of construction projects. Construction projects include major repair and renovation projects.

REVIEW: This OP will be reviewed in December of even-numbered years by the Managing Director of Procurement Services, the Assistant Vice President for Operations (AVPO), and the Vice Chancellor for Facilities Planning and Construction (VCFPC) with substantive revisions forwarded to the Vice President for Administration & Finance and Chief Financial Officer (VPAF/CFO).

POLICY AND PROCEDURE

1. Project Management
   a. In general, project management guidelines will follow Texas Higher Education Coordinating Board (THECB) and the Texas Tech University System Board of Regents guidelines.
   
   b. Projects estimated to cost $2 million or more will be managed by the VCFPC.
      
      (1) Occasionally, the management of a project exceeding these limits will be delegated to another department by the VCFPC with the concurrence of the VPAF/CFO and the AVPO. These projects are normally large utility, HVAC, or Central Heating and Cooling Plant projects with the appropriate technical knowledge and project management expertise in Physical Plant.
      
      (2) Oversight and approval of these projects will be by the VCFPC; however, the department to which the project is delegated will administer and execute the project and will be responsible for managing the project accounts.
   
   c. Projects estimated to cost less than $2 million will normally be managed by the AVPO.

   d. Projects designated as part of the University Public Art Program will be managed by the VCFPC. Project funds from the 1 percent art allocation will be placed in an account managed by the VCFPC. All Public Art Program procurements will be approved by the University Public Art Committee (UPAC.) The Public Art manager in Facilities Planning and Construction will coordinate with the UPAC to procure public art. Individual art projects not part of a construction or renovation project normally will be managed by the VCFPC but may be managed by either entity with agreement among the VCFPC, VPAF/CFO, and AVPO.
e. Landscaping work that is part of a construction or renovation project will generally be managed by the entity managing the overall project (e.g., VCFPC or AVPO). Funds from the 1 percent landscape allocation will be placed in an account managed by the appropriate entity. Individual smaller projects not part of a construction or renovation project may be managed by either entity with agreement among the VCFPC, VPAF/CFO, and the AVPO. These projects will be handled on a case-by-case basis.

f. The office assigned project management responsibility will be responsible for the administration and execution of a project including budget preparation, additional approvals, contract administration, financial management, project design, construction, and processing of invoices.

2. Approval of a Construction Project

a. Projects estimated to cost less than $2 million may be approved by the president or the president’s designee.

(1) Construction projects in this category that will alter the exterior appearance of a building will require the approval of the VCFPC. Construction projects in this category that will make a utilization change in a classroom will require the approval of the Facilities Allocation Council (FAC) with approvals recorded in FAC minutes regardless of magnitude.

(2) Construction projects that will cost $10,000 or more must have a separate construction account established regardless of the fund source. Projects that cost less than $10,000 may be charged to an existing departmental account via an approved project request through Building Maintenance and Construction. See OP 61.28.

(3) Departments that are funding a construction project will obtain the necessary internal approvals required by their divisional vice president (DVP) or dean prior to submitting a construction request.

b. Capital Improvement Program (CIP)

A call letter will be sent out to all the divisional vice presidents and deans each year to update and prioritize the construction projects in their area of responsibility in accordance with OP 61.36. From the recommended DVP or dean priorities, the FAC will develop an overall priority list(s) and recommend the allocation of funds accordingly.

c. Projects estimated to cost $2 million or more require approval by the Board of Regents (Section 08.01, Regents’ Rules) and the THECB.

(1) The VCFPC is responsible for obtaining the required approval from the Board of Regents and reporting to the THECB.

(a) Before submitting a project to the Board of Regents, the VCFPC will forward a project budget to the VPAF/CFO. The VPAF/CFO will obtain all required approvals within the university and inform the VCFPC when funds are available. The VPAF/CFO will certify in writing that funds are available for that project or portion of the project. Normally, the VPAF/CFO will inform the VCFPC when the project and budget may be taken to the Board of Regents for approval.
(b) Typically, the VCFPC will obtain all required approvals from the Board of Regents at one time (project budget and scope/approval to complete the design) obtain THECB approval, and award a construction contract.

(2) After the Board of Regents has approved a project, the VCFPC will prepare a budget in the appropriate amount and submit it to the VPAF/CFO for approval and processing.

(a) The budget will designate the VCFPC as the financial manager and will identify alternates with signature authority.

(b) The VPAF/CFO will identify a source of funds, approve the budget, and forward the budget to the Budget Office for processing.

(c) The Budget Office, in coordination with the managing director of Financial Services and Tax, will process the budget and:

i. Assign a FOP number;

ii. Establish the FOP profile;

iii. Enter data into the financial accounting system;

iv. Establish a FOP history file;

v. Advise the VCFPC when the budget has been processed and the funds are available; and

vi. Distribute copies of the approved budget to the VCFPC, Financial Services and Tax, and other offices, as required.

(3) If changes in the budget of a minor construction project will cause the project to fall within the definition of a major construction project, the managing entity will promptly inform the VCFPC who will obtain Board of Regents and THECB approval.

d. For construction projects that cost less than $2 million, the Office of the Chancellor or its designated representative is authorized to proceed with any of the following actions, as applicable to the project:

(1) Establish a project budget and approve a schematic design;

(2) Solicit and accept bids, quotes, or proposals;

(3) Select a construction manager-agent, construction manager-at-risk, design-build firm, or contractor;

(4) Award a contract;

(5) Assign job order contracts for minor repair, rehabilitation, or alteration.
3. **Budget Adjustments**

a. When a change is made in a major project ($2 million or more) that necessitates a revision to the budget, approvals for the project revision and a revised budget must go through the same channels as those required for a new project. Any budget addition request will require reapproval from the Board of Regents. Reapproval is also required if the scope of the project changes significantly (i.e., more than 10 percent).

b. Other revisions to a project budget may be made as follows:

   (1) **Account Code Changes**

       Any change in an account code for a project must have the prior approval of the financial manager before the change is made. This includes any additions of codes or the transfer of funds from one account code to another. The request for change should be made on a *Request for Operating Budget or Budget Revision* form and sent to the Budget Office. The Budget Office will make the appropriate budget adjustment and will notify Financial Services and Tax and the financial manager.

   (2) **Year-end Capitalization**

       At the end of each fiscal year, all expenditures that are to be capitalized must be recorded as expenditures against a capital outlay code. The Budget Office and the Financial Services and Tax Office will make year-end adjusting entries, which will permit only the remaining project free-balances to be carried forward to the next fiscal year.